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Annual Report 1971



FALCONBRIDGE
NICKEL MINES LIMITED

FALCONBRIDGE NICKEL MINES LIMITED 1971 ANNUAL REPORT

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FRONT COVER

Overall view of the metallurgical complex of subsidiary company Falconbridge Dominicana, C. por A., near Bonao in the Dominican Republic. Construction was substantially completed in 1971 and in late December the first shipment of commercial product was exported from the Port of Haina.

The three stacks towering above the development indicate the major plant areas: to the left, the metallurgical plant; in middle foreground, the ore dryer buildings with their interconnecting conveyor system; and, in background right, the 200-megawatt power station with adjacent cooling towers. At the extreme right centre of the photograph is part of the ore storage section which consists of three metal-clad buildings each 600 feet long. Beyond the fuel oil tanks in the background may be seen the construction campsite.

The new plant is expected to reach its design capacity of 63,000,000 pounds annually of nickel in ferronickel in the second half of 1972.

ANNUAL MEETING OF SHAREHOLDERS

Thursday, April 20, 1972
10:00 a.m. (Toronto Time)

Commerce Hall, Commerce Court South
Bay and Wellington Streets
Toronto, Ontario

Entrance to the new hall is from the north side of Wellington Street, just east of Bay Street, Toronto.

H I G H L I G H T S**1971****1970**

Nickel deliveries — pounds

85,864,000

84,141,000

Metal sales and other operating revenues

\$154,236,000

\$160,674,000

Income from subsidiary and other companies

\$ 8,024,000

\$ 20,469,000*

Earnings for the year

\$ 17,633,000

\$ 43,879,000

Shares outstanding (weighted average)

4,963,411

4,952,594

Earnings per share

\$3.55

\$8.86

Dividends per share

\$2.75

\$3.50

Working capital

\$ 55,448,000

\$ (1,387,000)

Market value of investments

\$164,189,000

\$211,385,000

Ore Reserves — Tons

99,933,000

97,405,000

* Restated



FALCONBRIDGE NICKEL MINES LIMITED

7 KING STREET EAST, TORONTO 210, ONTARIO, CANADA

DIRECTOR EMERITUS

THAYER LINDSLEY

President, Northfield Mines Inc.

BOARD OF DIRECTORS

F. H. BRANDI	Director, Dillon, Read & Co. Inc.
REGINALD CAMPBELL	Senior Vice-President
C. F. H. CARSON, Q.C.	Partner, law firm of Tilley, Carson & Findlay
* MARSH A. COOPER	President and Managing Director
O. D. COWAN	President, General Impact Extrusions (Manufacturing) Ltd.
W. G. DAHL	Vice-President Marketing
E. L. HEALY	Executive Vice-President Operations
* W. F. JAMES	Partner in James & Buffam, Consulting Geologists
F. P. JONES, JR.	Executive Vice-President, The Superior Oil Company
* H. B. KECK	President, The Superior Oil Company
* NEIL J. MCKINNON	Chairman of the Board, Canadian Imperial Bank of Commerce
W. I. SPENCER	President, First National City Bank

** Member of the Executive Committee*

OFFICERS AND CORPORATE MANAGEMENT

H. B. KECK	Chairman of the Board
MARSH A. COOPER	President and Managing Director
REGINALD CAMPBELL	Senior Vice-President
E. L. HEALY	Executive Vice-President Operations
H. T. BERRY	Vice-President Metallurgy and Research
W. G. DAHL	Vice-President Marketing
D. R. DE LAPORTE	Vice-President Western Minerals Division
JAMES HOLMES	Vice-President Finance and Treasurer
I. H. KEITH	Vice-President Ferronickel Division
D. R. LOCHHEAD	Vice-President Nickel Division
J. J. MATHER	Vice-President Industrial Minerals Division
G. P. MITCHELL	Vice-President Exploration and Development
R. H. MOORE	Vice-President Technical Services
J. R. SMITH	Vice-President Eastern Minerals Division
G. T. N. WOODROOFFE	Vice-President Corporate Affairs and Secretary
H. L. HICKEY	Director Public Relations
KENNETH DUNN	Controller
J. L. MATTHEWS	General Counsel and Assistant Secretary

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

GENERAL REVIEW

Earnings for the year 1971 amounted to \$17,633,000 or \$3.55 per share. This compares with \$43,879,000 or \$8.86 per share for 1970.

The Company had considerable success in its strong and determined effort to maintain sales at a high level, and during 1971 deliveries to customers of both nickel and copper were the highest on record. Production of both metals was also the highest to date, and inventories of finished nickel increased to an ample working level at the end of the year.

The recession in world economies which prevailed in 1971 affected unfavourably the demand for and the

prices of metals generally. Although the producers' price for nickel remained unchanged during the year, the market price of copper averaged much less than in 1970. As a result, the earnings of both the Company and those associates which are copper producers were affected significantly.

At the nickel-iron refinery in the Sudbury area, continuous production was delayed by start-up problems associated with a new and complex form of technology. By year end, these difficulties had been largely overcome and the plant produced and shipped some specification product to industrial customers. Sustained production is expected in the near future.

In northern Manitoba, the Mani-bridge nickel mine entered the ranks of the producers in July, with concen-

trate shipments being made to the Company's smelter at Falconbridge. Full-rated production is expected by mid-1972.

An outstanding feature of 1971 was the progress made on the U.S. \$195,000,000 ferronickel project of Falconbridge Dominicana, C. por A., in the Dominican Republic. Construction was substantially completed and a start-up was made of part of the production facilities. The first shipment of ferronickel was made in late December.

Other properties brought into limited production by associated companies were the platinum mine of Western Platinum Limited in South Africa, and the copper-silver mine of Oamites Mining Company (Proprietary) Limited in South West Africa.

FINANCIAL REVIEW

The following table summarizes briefly the financial results for 1971 and compares them with those of the preceding year:

	1971	1970
Earnings for the year	\$ 17,633,000	\$ 43,879,000
— per share	\$ 3.55	\$ 8.86
Operating profit from nickel operations before providing for development and preproduction expenditures and depreciation and depletion	\$ 48,584,000	\$ 65,031,000
Write-offs for development and preproduction and depreciation and depletion	\$ 26,000,000	\$ 21,417,000
Interest in profits less losses of unconsolidated domestic companies owned 50% or more	\$ 5,226,000	\$ 12,247,000*
Dividends from unconsolidated foreign subsidiaries and other companies	\$ 2,798,000	\$ 8,222,000
Dividends paid to shareholders	\$ 13,640,000	\$ 17,335,000
— per share	\$ 2.75	\$ 3.50
Expenditures on exploration, research and process development	\$ 12,448,000	\$ 13,727,000
Expenditures (net) on property and plant and on development and preproduction	\$ 59,474,000	\$ 51,567,000
Working capital (deficit) at December 31	\$ 55,448,000	\$ (1,387,000)
— per share	\$ 11.17	\$ (.28)
Indicated market value (not included in working capital) of shares in unconsolidated subsidiary and other companies at December 31	\$164,189,000	\$211,385,000
— per share	\$ 33.08	\$ 42.68

Note — Per share calculations made on basis of weighted average number of shares outstanding during the year.

* Restated.



The first shipment of commercial product was made by Falconbridge Dominicana, C. por A., on December 29, 1971. Shown here are stacks of ferronickel ingots on the dockside at Haina, Dominican Republic, being loaded for export.

EARNINGS

The earnings of the Company derive broadly from two sources — its integrated nickel-copper operations and earnings from its investments in unconsolidated companies. Compared with the previous year, earnings from each of these sources were sharply reduced.

Although there was a much lower industry-wide demand for metals in 1971 compared with 1970, the Company's deliveries were higher by 1,700,000 pounds of nickel and 4,000,000 pounds of copper. The Company sells its nickel at the producer price which, in terms of U.S. currency, was unchanged during the year. After the effects of variations in the exchange rate of the Canadian and U.S. dollars, the net price to the

Company averaged the same in 1971 as in 1970. The average price of copper realized by the Company, however, was 15.4 cents per pound less in 1971 and was a very significant factor in the lower earnings of both the Company's integrated operations and its copper-producing associates. Another important cause for the decline in operating profit from the integrated operations to \$48,584,000 in 1971, from \$65,031,000 in 1970, was the continued escalation in wages and other costs.

Earnings from the integrated operations were reduced in 1971, as compared with 1970, by \$4,583,000, due to higher depreciation, depletion and development and preproduction write-offs. The rate at which the latter were

written off was increased commencing in 1971 to \$2.75 per ton of ore treated from \$2.00 per ton used for the past several years.

As a result of borrowings to finance the Company's capital expenditure program, net interest expense increased significantly — from \$811,000 in 1970 to \$5,179,000 in 1971. Expenditures on exploration activities and on research and development were somewhat reduced from the 1970 levels.

Low earnings from integrated operations, a high proportion of tax-exempt income from new mines and higher write-offs were primarily responsible for negative deferred taxes.

The Company's interest in the profits of unconsolidated domestic subsidiaries, and dividends received from unconsolidated foreign and other companies, declined in the aggregate by \$12,445,000 — dropping from \$20,469,000 in 1970 to \$8,024,000 in 1971. Much of this decline is attributable to lower copper prices which affected the earnings of most of the more important associated companies; however, the greatest decline occurred in the earnings of wholly-owned Wesfrob Mines Limited, primarily because of its lower production of copper and the termination of its tax-exempt period. Another important item in accounting for the differences in the income of the two years was a large special dividend paid by Kilembe Copper Cobalt Ltd. in December 1970 which was not repeated in 1971. Comments on the operating and financial results of these and other companies appear elsewhere in this report.

WORKING CAPITAL

Details of the factors affecting the Company's working capital are given in the Consolidated Statement of Changes in Financial Position on page 16. Working capital improved in the year by \$56,835,000 — from net current liabilities of \$1,387,000 at the end of 1970 to net current assets of \$55,448,000 at the end of 1971.

Implementing arrangements which were initiated in 1970, the Company

issued two series of sinking fund debentures of \$50,000,000 (par) each. The first series was issued in February, in Canada, at 7.75% maturing in 1991; the second series in June and August, in the United States, at 8.85% maturing in 1996. These borrowings (which netted Can. \$98,675,000 after expenses of issue), coupled with the flow of funds provided from operations, enabled the Company to meet the outlays on its capital expenditure program and to improve its working capital position, including the repayment of bank indebtedness of \$25,000,000.

As a source of funds, earnings of \$38,849,000 after adjustments for non-

cash items in 1971 were sharply reduced from \$68,950,000 in 1970.

The Company's extensive capital expenditure programs on mines and plants are commented upon on page 8. Expenditures of \$59,474,000 in 1971, consisting of \$41,993,000 for property, plant and equipment and \$17,481,000 for mine development and preproduction exceeded the expenditures in 1970 by \$7,907,000.

Cash outlay for investment in unconsolidated subsidiary and other companies in 1971 amounted to \$11,609,000 as compared with \$29,129,000 in 1970. Comments on changes in the Company's investments in other companies are given below.

INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES

Investment in unconsolidated subsidiary and other companies increased in the year to \$141,897,000 from \$133,301,000 at the end of 1970.

Advances and debentures in 1971 consisted primarily of loans to Western Platinum Limited in South Africa in the amount of \$5,432,000 and to Oamites Mining Company (Proprietary) Limited in South West Africa in the amount of \$2,731,000, in each case to assist these companies in bringing their properties into production.

Investment during the year in shares of other companies consisted primarily of the acquisition of \$3,027,000 of additional preferred shares of Raglan Quebec Mines Limited in consideration for work carried out during the year on the Raglan properties, and 366,000 shares of Opemiska Copper Mines (Quebec) Limited in consideration of the issuance of 38,937 treasury shares of the Company in the amount of \$3,722,000. By a statutory amalgamation, Opemiska Copper Mines (Quebec) Limited and Lake Dufault Mines Limited were merged and the Company's shareholdings in these companies were exchanged for shares of Falconbridge Copper Limited. The amalgamation took effect as of December 16, 1971. Investment in unconsolidated domestic companies owned 50 per cent or more was reduced, by the excess of dividends received from these companies over the Company's interest in their earnings, by \$4,979,000.

At December 31, 1971, the indicated market value of those investments having a market value amounted to \$164,189,000 — a reduction of \$47,196,000 from the end of 1970. Substantial reductions occurred in the value of shares of New Quebec Raglan Mines Limited, McIntyre Porcupine Mines Limited and Kilembe Copper Cobalt Ltd.



Open-pit mining operations at the iron-copper property of Westfrob Mines Limited, at Tasu in the Queen Charlotte Islands, British Columbia.

MARKETING REVIEW

Metal Deliveries

Falconbridge metal deliveries during 1971 exceeded the previous year's record levels:

	1971	1970
	Pounds	
Nickel in all forms	85,864,000	84,141,000
Copper	60,985,000	56,922,000

Increased deliveries were achieved despite the fact that, in 1971 in the Free World, the supply of nickel exceeded demand for the first time in nearly six years. The rapid reversal from shortage to over-supply occurred primarily as a result of a weakening in world economies. This, in turn, reduced steel production, particularly in the alloy and stainless steel segments of the industry. Historically, such fluctuations in industrial activity have a marked effect on deliveries of primary nickel; however, consumption stayed within the normal 15 per cent variation from the long-term growth trend of 6.5 per cent annually in nickel consumption.

Free World copper supplies exceeded demand throughout 1971. Cobalt deliveries were lower than in the preceding year as consumers reduced their inventories and demand for cobalt decreased.

The producers' base price for electrolytic nickel remained at U.S. \$1.33 per pound during 1971. World copper prices declined further over the year. The London Metal Exchange "spot" or cash price averaged U.S. 49 cents per pound in 1971 as compared with U.S. 64 cents per pound in the preceding year. A major cobalt producer announced a price increase of U.S. 25 cents per pound on December 27, 1971. Prices for precious metals, excluding gold, declined during the year.

OPERATIONS REVIEW

General

Because of uncertain nickel markets, unsettled labor conditions in the construction trades, and a need to conserve cash, the scheduling of major projects in the Sudbury area was reassessed and capital expenditure plans were reviewed in the latter part of the year. As a result, the Lockerby program was curtailed by deferring the sinking of the No. 2 shaft, and by halting mill construction and other surface plant work. In addition, development programs were deferred at the Fraser, Lindsley and Onex shafts.

Mines

Ores delivered to treatment plants from Company mines in the Sudbury area amounted to 4,703,000 tons, compared with 4,631,000 tons in 1970.

Some underground development work was continued from the Lockerby No. 1 shaft, which was completed during 1971.

Construction of the surface plant at Manibridge was completed during the first half of the year. Shipments of concentrate to the Falconbridge smelter commenced in July. Accelerated mine development continued throughout the year. Full mill throughput of 1,000 tons per day is expected by mid-1972.

Treatment Plants

The reconditioned blast furnace in the old smelter aisle was operated during most of the year, enabling production to be maintained while the two main furnaces were being overhauled. A sixth sinter machine was installed and placed in service in June, enabling blast furnace production rate to be increased. This permitted the shutting down of the reconditioned furnace in December.

The pyrrhotite plant operation was reduced to 80 per cent of capacity

throughout the year to meet government directives on pollution abatement.

The nickel-iron refinery in the Sudbury area involves the integration of several elements of new technology. The most complex of these are the direct reduction process licensed from Stelco-Lurgi and the sulphur recovery plant built and owned by Allied Chemical Canada, Ltd. Many start-up problems have occurred in each of these areas. It should be noted that each section of the complex must operate within stable limits before continuous production of specification product can be achieved. Throughout the year better results were obtained with each successive campaign and by year-end many problems had been overcome, with some specification product being produced and shipped to customers. It is now expected that regular production will be achieved in the near future.

Norwegian Refinery

The refinery in Kristiansand, Norway, had a year of satisfactory operation. Nickel, copper, cobalt and liquid sulphur dioxide production achieved new records and the quality of product was stable and up to specifications. No serious operational problems were encountered but a shortage of labor occurred during the summer.

Employees

Harmonious relations between the Company and its employees prevailed at all operating locations.

At the end of 1971 there were 4,980 employees on the Sudbury Operations payroll compared with 4,895 a year earlier, and 1,583 employees at the Norwegian refinery compared with 1,558 at the end of 1970. At Manibridge, there were 190 employees at year-end 1971.

Expenditures (Net) on Mines and Plants

The record level of expenditures on mines and treatment plants in 1970 was exceeded in 1971. Among major projects and facilities included in the 1971 expenditure program were Lockerby mine and mill in the Sudbury district, Mani-bridge mine and mill in northern Manitoba, the nickel-copper refinery at Becan-cour, Quebec, the Company's refinery in Norway, and the capitalized start-up expenditures for the nickel-iron refinery. A comparison of capital expenditures in the past three years is shown below:

	1971	1970	1969
Property, plant and equipment	\$41,993,000	\$34,903,000	\$29,413,000
Development and preproduction	17,481,000	16,664,000	7,832,000
	<u>\$59,474,000</u>	<u>\$51,567,000</u>	<u>\$37,245,000</u>

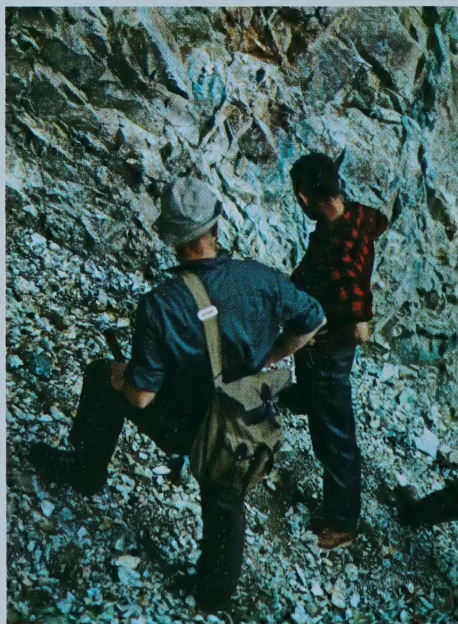
Ore Reserves

The Company's ore reserves at year-end 1971 showed an increase of 2,528,000 tons after mining 4,796,000 tons during the year. There was, however, a decrease in the amount of contained nickel and copper metal. Total proved and probable reserves of the Company (Sudbury Basin and Mani-bridge Mine) were as follows:

Proved and Probable Ore

Year	Tons of ore	Tons of contained metal		Average grade (%)	
		Nickel	Copper	Nickel	Copper
1971	99,933,000	1,229,000	646,000	1.23	0.65
1970	97,405,000	1,241,000	657,000	1.27	0.67

Falconbridge exploration geologists examining a property in British Columbia. Total expenditures on exploration in 1971 were the second highest in Company history.



EXPLORATION

Exploration for new orebodies during 1971 was directed from exploration offices in Canada, Australia, southern Africa, South America and Norway. As in past years, exploration in the Sudbury district was a very important part of the 1971 program. Total expenditures of \$9,137,000 were slightly less than the previous year's record level.

In Manitoba, an active program was carried forward on the Bucko Lake property of Bowden Lake Mines Limited, in which Falconbridge has a 60 per cent interest. A shaft was completed to 1,117 feet and drifting commenced on the 1,000-foot level in preparation for an underground exploration program by diamond drilling.

In British Columbia, underground exploration was carried out from an adit at the Vancouver Island property of Catface Copper Mines Limited, in which Falconbridge has a 97.4 per cent interest. The results confirmed the presence of a large, low-grade copper deposit, and studies are under way to assess the economic factors involved.

The copper-zinc-silver deposit discovered by the Company, on property optioned from NBU Mines Limited in northwestern Ontario, was drilled systematically and outlined 1,928,000 tons grading 3.0 per cent copper, 7.85 per cent zinc, and 4.54 ounces per ton of silver. A company was subsequently formed (Sturgeon Lake Mines Limited) to undertake development and production, as detailed on page 37.

An agreement was negotiated with the Government of Argentina for exclusive exploration rights in an area of Neuquen Province, Western Argentina, that has potential for a porphyry copper deposit.

RESEARCH AND DEVELOPMENT

A large part of the Company's research and development activities was directed to developing new methods of reducing pollution at operations in the Falconbridge area. Of the total expenditure on research and development of \$3,311,000, about one half was directly attributable to the need for developing pollution-free methods of treating the Company's ores. Research and development work on the improvement of refining technology for nickel and copper matte was increased.

SUBSIDIARY AND OTHER COMPANIES

Comments on the operating results of domestic and foreign subsidiary companies during 1971 appear on pages 32 to 44 of this report.

SHAREHOLDERS

At the end of 1971 there were 12,178 shareholders, a decrease from 12,273 at the beginning of the year.

Shareholders of Canadian registry numbered 9,076, holding 4,384,082 shares, or 87.7 per cent of the 4,999,980 shares outstanding.

ORGANIZATION

During 1971 Mr. James Holmes, formerly Director of Finance, was appointed to the position of Vice-President Finance, while retaining his additional responsibilities as Treasurer.

APPRECIATION

As the foregoing report has indicated, 1971 was a difficult year for the Company in a period of unsettled economic and market conditions; nevertheless, a commendable amount of progress was

recorded on major projects and programs. Your Directors express their sincere appreciation to management and employees throughout the Falconbridge group of companies for their combined efforts during the year. The continuing interest and support extended by shareholders, customers, suppliers, contractors and others are also gratefully acknowledged.

On behalf of the Board of Directors,



MARSH A. COOPER,
President and
Managing Director.

Toronto,
March 13, 1972.



Strathcona mine and mill complex at the west end of the Sudbury Basin. During 1971, Company mines in the Sudbury area delivered 4,703,000 tons of ore to treatment plants.



ACTIVITY ON MANY FRONTS

The photographs here show, left, centrifugal casting operations at Fahralloy-Wisconsin foundry in Orillia, Ontario; directly below, a field exploration party on Canada's west coast; right, computerized process control at Manibridge, and miners drilling underground at Falconbridge. The bottom photograph shows the cargo ship M/V FALCON being loaded at the Norwegian refinery.



Clarkson, Gordon & Co.

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AUDITORS' REPORT

To the Shareholders of
Falconbridge Nickel Mines Limited:

We have examined the consolidated balance sheet of Falconbridge Nickel Mines Limited and its consolidated subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. We have also examined the summary of condensed financial data of unconsolidated domestic and foreign companies owned 50% or more as at December 31, 1971 and for the year then ended and the schedule of investments in companies less than 50% owned as at December 31, 1971. Our examination of Falconbridge Nickel Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of Falconbridge Nickel Mines Limited and its consolidated subsidiaries as at December 31, 1971 and the results of their operations and the changes in their financial position for the year then ended, and the summary of condensed financial data of unconsolidated domestic and foreign companies owned 50% or more as at December 31, 1971 and for the year then ended and the schedule of investments in companies less than 50% owned as at December 31, 1971 present fairly the information set forth therein, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting described in note 2 of the notes to consolidated financial statements, with which change we concur.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada,
March 7, 1972.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1971

(Thousands of dollars)

ASSETS

	1971	1970
CURRENT:		
Cash and temporary investments thereof at cost (which approximates market value)	\$ 19,906	\$ 848
Accounts receivable, principally trade	38,557	32,640
Inventories of metals at the lower of cost or estimated net realizable value (note 4)	23,892	15,748
	<u>82,355</u>	<u>49,236</u>
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES (notes 1 and 2):		
Domestic companies owned 50% or more —		
Shares	101,819	94,535
Advances and debentures	327	238
	<u>102,146</u>	<u>94,773</u>
Foreign companies owned 50% or more —		
Shares	3,872	4,350
Advances and debentures	5,789	2,892
	<u>9,661</u>	<u>7,242</u>
Other companies, at cost less amounts written off —		
Shares	24,577	31,215
Advances and debentures	5,513	71
	<u>30,090</u>	<u>31,286</u>
	<u>141,897</u>	<u>133,301</u>
PROPERTY, PLANT AND EQUIPMENT (notes 2, 5 and 7):		
Plant and equipment, at cost	287,541	246,833
Less accumulated depreciation	126,219	113,826
	<u>161,322</u>	<u>133,007</u>
Mining properties, at cost	4,181	4,166
Less accumulated depletion	186	
	<u>3,995</u>	<u>4,166</u>
Land, at cost	2,297	1,239
	<u>167,614</u>	<u>138,412</u>
OTHER:		
Supplies, at average cost	12,163	10,966
Deposits, long term accounts receivable and other assets, at cost	3,774	2,338
Development and preproduction expenditures deferred (notes 2, 6 and 7) ...	39,178	34,906
Debenture discount and issue expenses, at cost less amounts written off (note 8)	2,344	
	<u>57,459</u>	<u>48,210</u>
	<u>\$ 449,325</u>	<u>\$ 369,159</u>

(See notes to consolidated financial statements)

LIABILITIES

	<u>1971</u>	<u>1970</u>
CURRENT:		
Bank indebtedness		\$ 25,230
Accounts payable and accrued charges	\$ 14,877	14,746
Salaries and wages payable	9,196	6,855
Due to unconsolidated subsidiary companies	2,553	2,885
Income and other taxes payable	281	907
	<u>26,907</u>	<u>50,623</u>
 LONG TERM DEBT (note 8):		
7.75% Sinking fund debentures maturing on February 24, 1991	50,000	
8.85% Sinking fund debentures maturing on May 1, 1996 (U.S. \$50,000,000) ..	51,094	
Mortgages payable on company housing	3,964	3,523
	<u>105,058</u>	<u>3,523</u>
 DEFERRED INCOME AND MINING TAXES (notes 2 and 9)	<u>25,224</u>	<u>31,151</u>
 SHAREHOLDERS' EQUITY:		
Capital (notes 10 and 11) —		
Authorized:		
7,000,000 shares of no par value		
Issued:		
4,999,980 shares in 1971 (4,955,223 shares in 1970)	88,713	84,432
Retained earnings (note 2)	203,423	199,430
	<u>292,136</u>	<u>283,862</u>
 On behalf of the Board:		
 M. A. COOPER, Director		
 W. F. JAMES, Director		
	<u>\$ 449,325</u>	<u>\$ 369,159</u>

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

(Thousands of dollars)

	1971	1970
Integrated nickel operations:		
Metal sales and other operating revenues	\$ 154,236	\$ 160,674
Cost of producing metals delivered other than the undermentioned items	95,519	87,035
Selling, general and administrative expenses	10,133	8,608
	105,652	95,643
Operating profit before providing for development and preproduction expenditures and depreciation and depletion	48,584	65,031
Development and preproduction expenditures written off (note 6)	13,209	9,262
Depreciation and depletion (note 5)	12,791	12,155
	26,000	21,417
Operating profit from integrated nickel operations	22,584	43,614
Interest (net of interest income of \$988,000 in 1971 and \$333,000 in 1970) and amortization of debenture expenses (note 8)	5,179	811
Expenditures on exploration	9,137	9,519
Expenditures on research and process development	3,311	4,208
	17,627	14,538
Earnings before taxes and other items	4,957	29,076
Income and mining taxes (notes 2 and 9):		
Current	207	1,537
Deferred	(4,739)	4,078
	(4,532)	5,615
Earnings after taxes, before other items	9,489	23,461
Earnings from investments in unconsolidated companies:		
Interest in profits less losses of unconsolidated domestic companies owned 50% or more (notes 1 and 2)	5,226	12,247
Dividends from:		
Unconsolidated foreign companies owned 50% or more (note 1)	593	4,890
Companies other than subsidiaries	2,205	3,332
	8,024	20,469
Earnings before gain on investments and extraordinary item	17,513	43,930
Gain (net) on sales less write-offs of investments in subsidiary and other companies	120	424
Earnings before extraordinary item	17,633	44,354
Extraordinary item — Foreign exchange loss resulting from freeing of the Canadian dollar (net of applicable taxes)		475
Earnings for the year	\$ 17,633	\$ 43,879
Earnings per share (note 14):		
Before gain on investments and extraordinary item	\$ 3.53	\$ 8.87
Before extraordinary item	\$ 3.55	\$ 8.96
For the year	\$ 3.55	\$ 8.86

(See notes to consolidated financial statements)

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

(Thousands of dollars)

	<u>1971</u>	<u>1970</u>
Balance at beginning of year:		
As previously reported	\$ 200,393	\$ 173,849
Adjustments relating to prior years (note 2):		
Depletion of mining properties	(551)	(396)
Income and mining taxes	(412)	(567)
As restated	199,430	172,886
Earnings for the year	17,633	43,879
	217,063	216,765
Dividends (1971 — \$2.75 per share; 1970 — \$3.50 per share)	13,640	17,335
Balance at end of year	<u>\$ 203,423</u>	<u>\$ 199,430</u>

(See notes to consolidated financial statements)

DIVIDENDS PAID IN 1971

<u>Number</u>	<u>Date paid</u>	<u>Amount per share</u>
107	February 26	\$.75
108	May 3175
109	August 3175
110	November 3050
		<u>\$ 2.75</u>

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1971

(Thousands of dollars)

	1971	1970
SOURCE OF FUNDS:		
Earnings for the year	\$ 17,633	\$ 43,879
Add (deduct) charges (credits) against earnings which did not involve an outlay (receipt) of funds:		
Depreciation and depletion	12,791	12,155
Amortization of debenture discount and issue expenses	75	
Deferred development and preproduction expenditures written off (note 6)	13,209	9,262
Gain on sale of investments	(120)	(424)
Income and mining taxes deferred	(4,739)	4,078
	<u>38,849</u>	<u>68,950</u>
Dividends from unconsolidated domestic companies owned 50% or more, in excess of the company's interest in their profits less losses (including recovery of deferred income taxes of \$1,188,000 in each year)	4,979	4,772
Sale of shares in, reduction of debentures of, and decrease in non-current advances to unconsolidated subsidiary and other companies	688	5,410
Issue of shares for cash (note 10)	559	862
Mortgages payable on company housing (net)	441	661
Issue of sinking fund debentures (net of issue expenses)	98,675	
	<u>144,191</u>	<u>80,655</u>
APPLICATION OF FUNDS:		
Payment of dividends to shareholders	13,640	17,335
Expenditures (net) on property, plant and equipment	41,993	34,903
Development and preproduction expenditures	17,481	16,664
Purchase of shares and debentures of, and advances to, unconsolidated subsidiary and other companies (note 10)	11,609	29,129
Supplies and other non-current assets	2,633	2,989
	<u>87,356</u>	<u>101,020</u>
Increase (decrease) in working capital during the year	<u>\$ 56,835</u>	<u>\$ (20,365)</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL:		
Increase (decrease) in current assets —		
Cash and temporary investments thereof	\$ 19,058	\$ (2,407)
Accounts receivable	5,917	12,684
Inventories	8,144	8,371
Advances to subsidiary		(13,876)
	<u>33,119</u>	<u>4,772</u>
(Increase) decrease in current liabilities —		
Bank indebtedness	25,230	(19,830)
Other current liabilities	(1,514)	(5,307)
	<u>23,716</u>	<u>(25,137)</u>
Increase (decrease) in working capital during the year	56,835	(20,365)
Working capital at beginning of year	(1,387)	18,978
Working capital at end of year	<u>\$ 55,448</u>	<u>\$ (1,387)</u>

(See notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1971

1. Subsidiary companies and principles of consolidation

- (a) The consolidated financial statements include the accounts of the company and all its subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of nickel. All such subsidiaries are wholly-owned. Other subsidiaries, which are not engaged in the integrated nickel operations have been excluded from consolidation, as it is the company's view that a more intelligent appraisal of its financial position and operating results as a major producer in the nickel industry and its overall financial position can be obtained from the financial statements prepared on this basis, together with the information in respect of the financial position and results of operations of unconsolidated domestic and foreign companies owned 50% or more presented in the accompanying summary of condensed financial data on pages 22 to 28.
- (b) The investment in unconsolidated domestic companies owned 50% or more which are not engaged in the integrated nickel operations, is carried in the consolidated financial statements at cost less amounts written off, adjusted to reflect on an equity basis (i) the company's interest in their undistributed net earnings since acquisition and (ii) the amortization of the difference between the book value of the subsidiaries' net assets at dates of acquisition and the cost of the company's share investments. The amortization in each case is based on the lesser of (i) the estimated life of the recoverable ores and (ii) a period of twenty-five years from the date of acquisition of the investment or the date the subsidiary commences production.

At December 31, 1971, Falconbridge's investment in New Quebec Raglan Mines Limited and its subsidiary, Raglan Quebec Mines Limited, amounted to \$30,389,000. As set forth in note 3 of the notes to summary of condensed financial data, exploration, development and other expenditures of \$28,221,000 have been incurred in the development of the subsidiary company's Cape Smith-Wakeham Bay area properties. While no substantial expenditures at the properties are planned for 1972, studies are continuing on the feasibility of alternate methods of bringing the properties into production. These studies have not reached the stage where an opinion can be expressed that the expenditures on the properties will or will not be recoverable by charges against income from future mining operations. Return from mining operations on the investment in these companies is accordingly dependent upon the obtaining of adequate financing and the successful development of an economic mining operation.

- (c) The investment in unconsolidated foreign companies owned 50% or more is carried at cost less amounts written off, and the earnings of these companies are included in consolidated earnings to the extent of dividends received. No adjustment has been made for the aggregate excess of Falconbridge's interest in the net assets of these companies at dates of acquisition over the carrying value in the company's accounts. The company's share of the aggregate net losses of these companies since acquisition, which is not reflected in the consolidated financial statements, amounted to \$1,088,000 at December 31, 1971 (interest in undistributed net earnings at December 31, 1970 was \$1,842,000 — restated from \$1,433,000, as set forth in note 7 of the notes to summary of condensed financial data).

2. Change in accounting and other retroactive adjustments

- (a) In 1971 Falconbridge, its consolidated subsidiaries and unconsolidated companies owned 50% or more adopted the policy of providing for depletion of mining properties over a period equal to the lesser of the estimated life of the recoverable ores or 25 years. This change in accounting has been given retroactive effect in the companies' accounts and 1971 earnings have been reduced by \$306,000 (6¢ per share) (1970 \$155,000; 3¢ per share) as a result of adopting this policy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (b) Tax assessments received in 1971 relating to prior years and adjustments to deferred taxes arising therefrom have been given retroactive effect in the accounts of Falconbridge and certain unconsolidated domestic companies owned 50% or more.
- (c) The 1970 consolidated financial statements and summary of condensed financial data have been restated to reflect the changes outlined in (a) and (b) above and to reflect a reclassification, from development and preproduction expenditures deferred, to property, plant and equipment.

3. Foreign exchange translation

Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at quoted current rates of exchange at December 31, 1971 except that (a) investments, fixed assets and accumulated depreciation are at rates prevailing at dates of acquisition and (b) the 8.85% debentures and related issue expenses are at rates prevailing at dates of original borrowings. Revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates prevailing when the expenditures on the related fixed assets were made.

4. Inventories of metals

Metals inventories consist of the following:

	1971	1970
	(000's)	(000's)
Derived from company's own ore	\$ 20,420	\$ 11,386
Derived from other sources	3,472	4,362
Total metals inventories	<u>\$ 23,892</u>	<u>\$ 15,748</u>

The cost of inventories derived from the company's own ore has been determined on a "last-in, first-out" basis; the cost of inventories derived from other sources has been determined on a "first-in, first-out" basis.

5. Property, plant and equipment

Commencing in 1971 provision is being made for the depletion of the book values of mining properties as outlined in note 2(a) above. Depreciation is calculated on the straight line method at the rate of 10% per annum on all plant and equipment in use.

Repairs and maintenance are charged to operations or development and preproduction and betterments and replacements are capitalized. Upon sale or retirement, the cost of the assets and the related allowances for depreciation are removed from the accounts and any gains or losses thereon are taken into earnings.

6. Development and preproduction expenditures

Expenditures on development and preproduction are deferred in the company's accounts and written off at a rate of \$2.75 per ton of company ore treated (1970 — \$2.00 per ton). As a result of the increase in rate, the write-off in 1971 is \$3,602,000 higher than it would have been if the previous rate had continued to be used.

7. Capital expenditures

The company has temporarily curtailed or suspended development work on certain of its properties. No write-offs have been made in respect of expenditures incurred to December 31, 1971 which are included with fixed assets (\$25,000,000) and development and preproduction expenditures deferred (\$8,700,000) as the company expects that work will resume on these properties in due course.

8. Sinking fund debentures

(a) The 7.75% debentures outstanding were sold at a discount in February, 1971. No portion of the outstanding principal is due until 1977 when the company is required to commence sinking fund payments sufficient to retire in each of the years 1977 to 1990, \$1,250,000 principal amount of debentures.

(b) The 8.85% debentures outstanding were sold at par in the United States of America in June and August, 1971. No portion of the outstanding principal is due until 1981 when the company is required to commence sinking fund payments sufficient to retire U.S. \$3,000,000 principal amount of debentures in each of the years 1981 to 1995.

The trust indenture relating to the 8.85% sinking fund debentures contains certain covenants which limit (i) the payment of dividends, (ii) the assumption of additional long term debt by the company and (iii) guarantees of certain indebtedness of others.

(c) Discount and financing expenses are being amortized over the life of the sinking fund debentures.

9. Income and mining taxes

Under the provisions of the Canadian Income Tax Act applicable in 1971, income from new mines is tax exempt for a period of three years from the date of commencement of production in commercial quantities. The amounts of such income included in consolidated earnings for 1970 and 1971 are as follows:

Year	Falconbridge and its consolidated subsidiaries	Unconsolidated domestic companies owned 50% or more
1970	\$21,600,000	\$7,600,000
1971	27,600,000	4,600,000

For tax purposes Falconbridge and its consolidated subsidiaries claim certain expenses — primarily depreciation and preproduction — up to the maximum permitted under the Canadian Income and Provincial Mining Tax Acts; for accounting purposes however such items are written off in a systematic manner having regard to the estimated productive life of the related facilities. For tax purposes, Falconbridge is also required to value inventories derived from its own ore on a “first-in, first-out” basis whereas, for accounting purposes, such inventories are valued on a “last-in, first-out” basis. Since the resultant timing differences give rise to significant variations from year to year between the amount of income reported for tax purposes and the amount of accounting income reflected in the consolidated statement of earnings, Falconbridge follows the tax allocation method of accounting, so that provisions for deferred taxes have been made and segregated in the deferred income and mining taxes account at December 31, 1971 shown in the accompanying balance sheet.

With the exception of Alminex Limited (explained in note 2 of the notes to summary of condensed financial data) unconsolidated domestic companies owned 50% or more follow the tax allocation method of accounting.

10. Capital

During the year:

(a) 5,820 shares were issued for \$558,720 cash under the Stock Option Plan described in note 11 below; and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (b) 28,724 shares valued at \$2,745,900 were issued for the acquisition by the company of 270,000 treasury shares of Opemiska Copper Mines (Quebec) Limited and 10,213 shares valued at \$976,320 were issued to acquire a further 96,000 shares of Opemiska from McIntyre Porcupine Mines Limited and its subsidiary Winneway Mines Limited (as described in note 1(e) of the notes to summary of condensed financial data).

The valuation placed on the shares issued for the shares of Opemiska and the ratio for the exchange of these shares was based on the average closing market prices for shares of Falconbridge and Opemiska over the 31 day period ended September 15, 1971.

11. Stock options

In 1968 the company reserved 90,000 unissued shares for the purpose of granting to certain officers and employees options to purchase shares of the company exercisable at 95% of the market price at the close of business on the day preceding the granting of the option. In 1968 options expiring December 19, 1978 were granted to purchase 84,500 shares at \$96.00 per share. Since the date the options were granted 55,910 shares have been issued under these options (including 5,820 shares in 1971) and options on 800 shares terminated due to cessation of employment. At December 31, 1971, options on 27,790 shares were outstanding.

12. Guarantee, commitments and lease obligation

- (a) The following guarantee and commitments are outstanding in connection with the financing of a subsidiary company, Falconbridge Dominicana, C. por A. (Falcondo), which is in the final stages of constructing a mining and metallurgical complex for the production of ferronickel in the Dominican Republic.
- (i) Loans to Falcondo amounting to U.S. \$180,000,000 are secured by a first mortgage on the assets of the project and by a contract under which Falconbridge Nickel Mines Limited has agreed to buy all ferronickel of commercial value produced by Falcondo and is obligated to provide 60% of the funds required by Falcondo to enable it to meet its operating costs and its debt service obligations in the event receipts from the sale of ferronickel produced by Falcondo and other receipts are insufficient for that purpose. These loans (except for U.S. \$25,000,000 loaned by the International Bank for Reconstruction and Development) are covered by specific risk insurance issued by the Agency for International Development of the United States Government. Falconbridge has pledged all its holdings of shares of Falcondo against repayment of these loans, except the subordinated portion (U.S. \$34,000,000);
 - (ii) Falconbridge has made a direct guarantee for repayment of 60% of the subordinate portion (U.S. \$34,000,000) of the loans;
 - (iii) During the period of the above loans there are certain restrictions placed on the amount and nature of borrowings Falconbridge can undertake; and
 - (iv) In the event that the anticipated costs on the Dominican ferronickel project exceed U.S. \$180,000,000 Falconbridge has agreed to provide 60% of any such excess.
- (b) The company has directives from the Ontario Government concerning provision by the end of 1975 for refining in Canada approximately one-half of its metal production derived from ores mined in Ontario, and concerning reduction of sulphur pollution by its treatment operations in the Sudbury District. The company is studying these directives and, until such studies are completed, it is not possible to estimate the cost of compliance.

(c) The company has entered into an agreement with Allied Chemical Canada, Ltd., under which Allied has constructed a plant designed to recover sulphur from roaster gases from the company's adjacent nickel-iron refinery. Under this agreement Allied may in certain circumstances give twelve months notice requiring the company to purchase the plant should it not prove to be a viable economic operation for Allied. Allied has given such notice but the company, on the advice of counsel, has taken the position that the notice was not validly given. In the event that the company is required to purchase the plant, the purchase price would not exceed 84% of the "original cost" of the facilities and certain "additional capital expenditures" by Allied. The purchase price is not likely to be less than \$7,000,000; any amount that might have to be paid in excess of this amount would not, in the judgement of the company, be material.

(d) There are commitments outstanding aggregating approximately \$5,000,000 in connection with the financing of capital expenditures of the company, its subsidiaries and affiliates.

(e) Under the terms of an agreement as amended for rental of new head office premises, the company is committed to pay annual rentals of approximately \$800,000 for a period of five years commencing in 1972.

13. Retirement plans

The company and certain of its Canadian consolidated subsidiaries maintain retirement plans providing retirement, death and termination benefits for substantially all salaried and hourly-rated employees. The plans have been amended from time to time and, based on the most recent actuarial evaluation, such amendments have resulted in unfunded past service obligations having a present value of \$9,186,000 at January 1, 1972 which have not been provided for in the company's accounts.

The company has accepted the recommendations of its actuary and intends to fund these obligations through annual payments of \$1,141,000 in each of the next four years and \$667,000 in each of the following thirteen years.

The charges to operations in respect of the plans were \$2,967,000 in 1971 (including \$1,141,000 in respect of past service obligations) and \$2,500,000 in 1970.

14. Earnings per share

Earnings per share for 1970 and 1971 have been computed using the weighted average of shares outstanding during each year. Inclusion in the earnings per share computation of shares subject to purchase under outstanding options would produce substantially the same per share results.

15. Remuneration of directors and senior officers of the company

	1971	1970
Paid by the company and its consolidated subsidiaries	\$ 974,000	\$ 870,000
Paid by other subsidiaries of the company	71,000	59,000
	<u>\$1,045,000</u>	<u>\$ 929,000</u>

16. Events subsequent to year-end

Subsequent to the year-end the company borrowed \$10,000,000 from a Canadian chartered bank. The loan is for a 5-year term ending January 5, 1977 and will bear interest at 1/2 of 1% over the bank's minimum commercial lending rate as may be determined from time to time during the term of the loan.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

SUMMARY OF CONDENSED FINANCIAL DATA – UNCONSOLIDATED DOMESTIC COMPANIES OWNED

FINANCIAL POSITION DECEMBER 31, 1971

	Alminex Limited (note 2)	Indusmin Limited	Fahralloy Canada Limited	New Quebec Raglan Mines Limited (note 3)	Wesfrob Mines Limited (note 1)	Falconbridge Copper Limited (note 1)
Percentage owned	51.2%	69.0%	100%	68.3%	100%	50.2%
Current assets	\$ 2,076	\$ 3,638	\$ 3,323	\$ 206	\$ 4,603	\$ 15,914
Current liabilities	461	6,576	832		1,558	2,317
Net working capital	1,615	(2,938)	2,491	206	3,045	13,597
Property, plant and equipment, net	31,962	12,372	4,047	81	10,764	8,979
Other assets, net	294	3,280	654	28,232	10,251	10,475
Deferred taxes		(324)	(770)		2,667	(1,828)
Long term debt	(563)	(139)				(53)
Advances and debentures held by Falconbridge						
Preferred shares				(17,261)		
Net assets	\$ 33,308	\$ 12,251	\$ 6,422	\$ 11,258	\$ 26,727	\$ 31,170
Falconbridge equity in net assets	\$ 17,054	\$ 8,455	\$ 6,422	\$ 7,684	\$ 26,727	\$ 15,645
Adjustments to carrying value (note 1)	(7,881)	(376)		5,444	(783)	3,718
Falconbridge interest in preferred shares				17,261		
Carrying value in Falconbridge accounts	\$ 9,173	\$ 8,079	\$ 6,422	\$ 30,389	\$ 25,944	\$ 19,363
Falconbridge shareholdings:						
Number of shares (000's)	3,914	806	1	5,296	3,833	6,510
Market value (note 9)	\$ 20,744	\$ 7,657		\$ 40,253		\$ 60,215

RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31, 1971

Sales	\$ 6,457	\$ 10,947			\$ 15,163	\$ 33,804
Net income	\$ 1,263	\$ 459	\$ 316		\$ 899	\$ 4,952
Falconbridge equity in net income	\$ 647	\$ 317	\$ 316		\$ 899	\$ 816
Adjustment to carrying value (note 1)	444	25			1,188	(558)
Adjusted Falconbridge equity	\$ 1,091	\$ 342	\$ 316		\$ 2,087	\$ 258

(See notes to summary of condensed financial data)

ED 50% OR MORE (Thousands of dollars)

FINANCIAL POSITION DECEMBER 31, 1970

Other companies	Total	Alminex Limited (note 2)	Indusmin Limited	Lake Dufault Mines Limited (note 1)	Fahralloy Canada Limited	New Quebec Raglan Mines Limited (note 3)	Wesfrob Mines Limited (note 1)	Other companies	Total
		51.2%	69.0%	51.1%	100%	67.9%	100%		
\$ 2,208		\$ 1,822	\$ 4,011	\$ 9,446	\$ 5,757	\$ 2,457	\$ 2,312	\$ 3,843	
277		506	6,680	773	704	372	2,631	492	
1,931		1,316	(2,669)	8,673	5,053	2,085	(319)	3,351	
5,629		32,419	12,416	2,807	3,993	81	14,419	5,616	
12,130		173	3,051	3,137	572	22,296	12,853	9,866	
(1)			(278)	(880)	(803)		2,517	(31)	
(4,422)		(563)	(144)					(1,999)	
(327)								(238)	
(2,467)						(14,234)		(2,467)	
\$ 12,473		\$ 33,345	\$ 12,376	\$ 13,737	\$ 8,815	\$ 10,228	\$ 29,470	\$ 14,098	
\$ 10,517		\$ 17,073	\$ 8,539	\$ 7,021	\$ 8,815	\$ 6,945	\$ 29,470	\$ 10,170	
(10,535)		(8,325)	(401)	2,594		6,183	(783)	(9,467)	
2,467						14,234		2,467	
\$ 2,449	\$ 101,819	\$ 8,748	\$ 8,138	\$ 9,615	\$ 8,815	\$ 27,362	\$ 28,687	\$ 3,170	\$ 94,535
		3,914	806	2,112	1	5,216	3,833		
\$ 2,902	\$ 131,771	\$ 23,288	\$ 9,871	\$ 26,395		\$ 70,413		\$ 3,132	\$ 133,099

RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31, 1970

		\$ 5,366	\$ 9,736	\$ 8,512			\$ 19,515		
\$ 1,168		\$ 977	\$ 1,305	\$ 1,809	\$ 349	\$ 858	\$ 6,915	\$ 1,833	
\$ 1,132	\$ 4,127	\$ 500	\$ 900	\$ 924	\$ 349	\$ 583	\$ 6,915	\$ 879	\$ 11,050
	1,099	444	25	(460)			1,188		1,197
\$ 1,132	\$ 5,226	\$ 944	\$ 925	\$ 464	\$ 349	\$ 583	\$ 8,103	\$ 879	\$ 12,247

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

SUMMARY OF CONDENSED FINANCIAL DATA – UNCONSOLIDATED FOREIGN COMPANIES

FINANCIAL POSITION DECEMBER 31, 1971

	Falconbridge Dominicana, C. por A. (note 6)	Kilembe Copper Cobalt Ltd. (note 7)	La Luz Mines Limited (note 8)	Oamites Mining Company (Proprietary) Limited
Percentage owned	65.7%	72.8%	55.6%	74.9%
Current assets	\$ 32,777	\$ 2,796	\$ 3,937	\$ 255
Current liabilities	6,062	2,687	395	593
Net working capital	26,715	109	3,542	(338)
Property, plant and equipment, net	119,456	7,227	508	5,628
Other assets, net	50,873	4,607	1,364	1,220
Long term debt	(182,007)		(733)	(1,607)
Advances and debentures held by Falconbridge ...				(4,808)
Minority interest		(3,381)		
Net assets	\$ 15,037	\$ 8,562	\$ 4,681	\$ 95
Falconbridge equity in net assets	\$ 9,879	\$ 6,233	\$ 2,603	\$ 71
Carrying value in Falconbridge accounts (note 4) ..	\$ 475	\$ 2,880		\$ 285
Falconbridge shareholdings:				
Number of shares (000's)	986	2,821	879	190
Market value (note 9)		\$ 6,347	\$ 1,801	

RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31, 1971

Sales	\$ 17,239	\$ 4,803	\$ 503
Net income (loss)	\$ (638)	\$ (2,514)	\$ (300)
Falconbridge equity in net income (loss)	\$ (464)	\$ (1,398)	\$ (225)
Dividends received by Falconbridge	\$ 564		

(See notes to summary of condensed financial data)

OWNED 50% OR MORE (Thousands of dollars)

FINANCIAL POSITION DECEMBER 31, 1970

Other Companies	Total	Falconbridge Dominicana, C. por A. (note 6)	Kilembe Copper Cobalt Ltd. (note 7)	La Luz Mines Limited (note 8)	Oamites Mining Company (Proprietary) Limited	Other Companies	Total
		68.9%	72.8%	55.6%	74.9%		
563		\$ 20,371	\$ 4,850	\$ 4,537	\$ 237	\$ 377	
174		10,832	3,528	478	220	225	
389		9,539	1,322	4,059	17	152	
854		89,442	8,050	1,809	2,664	750	
1,016		14,186	4,369	1,417	569	492	
(360)		(97,942)			(760)	(100)	
(981)					(2,077)	(815)	
			(3,766)				
918		\$ 15,225	\$ 9,975	\$ 7,285	\$ 413	\$ 479	
702		\$ 10,490	\$ 7,262	\$ 4,050	\$ 309	\$ 281	
232	\$ 3,872	\$ 953	\$ 2,880		\$ 285	\$ 232	\$ 4,350
		1,033	2,821	879	190		
	\$ 8,148		\$ 12,553	\$ 5,008			\$ 17,561

RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31, 1970

1,506		\$ 24,488	\$ 4,814	\$ 1,191	
(325)		\$ 2,795	\$ 569	\$ (128)	
(379)	\$ (2,466)	\$ 2,035	\$ 316	\$ (128)	\$ 2,223
29	\$ 593	\$ 4,231	\$ 659		\$ 4,890

NOTES TO SUMMARY OF CONDENSED FINANCIAL DATA

DECEMBER 31, 1971

UNCONSOLIDATED DOMESTIC COMPANIES OWNED 50% OR MORE

1. Adjustments to carrying value

- (a) In certain cases where a subsidiary is in the exploration stage, amounts expended on its exploration by Falconbridge (for which the subsidiary has issued shares) are deferred in its accounts whereas in Falconbridge's accounts the expenditures are charged to operations in the year in which they are incurred. Such charges included with expenditures on exploration in the consolidated statement of earnings amounted to \$1,600,000 in 1971 and \$1,637,000 in 1970.
- (b) Where a subsidiary's operating potential is considered doubtful, Falconbridge has written down the carrying value of its investment therein to an amount approximating the estimated realizable value of its share of the subsidiary's underlying assets. No such write-downs were made in 1971 or 1970.
- (c) The difference between Falconbridge's interest in the book value of the net assets of those subsidiaries which are in operation, and carrying value in the company's accounts, is amortized in each case over the lesser of (i) the estimated life of the recoverable ores and (ii) a period of twenty-five years from the date of acquisition of the investment or the date the subsidiary commenced production. Accordingly Falconbridge's interest in the earnings of these subsidiaries has been reduced by \$89,000 in 1971 and increased by \$9,000 in 1970.
- (d) The tax benefits relating to the deferred preproduction expenditures of Wesfrob Mines Limited have been claimed and deferred by companies in the Falconbridge group. These deferred tax benefits are reflected in the consolidated statement of earnings of Falconbridge coincident with the write-off of the preproduction expenditures in the accounts of Wesfrob. Accordingly Falconbridge's interest in Wesfrob's earnings has been increased by \$1,188,000 in both 1971 and 1970 after giving effect to tax assessments received in 1971 relating to 1970 and prior years.
- (e) On December 16, 1971 an Amalgamation Agreement among Opemiska Copper Mines (Quebec) Limited, Lake Dufault Mines Limited and Falconbridge Mines Quebec Limited provided for shares of the amalgamating companies being converted into shares of Falconbridge Copper Limited on the following basis:
 - (i) 1 share of Falconbridge Copper for each 1 share of Opemiska outstanding;
 - (ii) 3 shares of Falconbridge Copper for each 2 shares of Lake Dufault outstanding; and
 - (iii) 1 share of Falconbridge Copper for each 1 share of Falconbridge Mines Quebec outstanding.

As a result, Falconbridge's interest in Lake Dufault (51.1%), in Opemiska (40.8% after the acquisition of additional share interests in 1971 as described in note 10(b) of the notes to consolidated financial statements), and in Falconbridge Mines Quebec (100%) were exchanged for a 50.2% interest (6,509,682 shares) in Falconbridge Copper. Of the shares which it now holds, Falconbridge Nickel Mines Limited has agreed to waive its right to dividends on 983,000 shares until such time as the Sturgeon Lake property acquired by Falconbridge Copper is brought into production. Accordingly, Falconbridge has computed its interest in the earnings of Falconbridge Copper on the basis which excludes these shares from the calculation.

The company's equity in the net assets of Falconbridge Copper as at December 31, 1971 is as shown on the summary of condensed financial data and the equity in net income is as computed for Lake Dufault and Falconbridge Mines Quebec to December 15, 1971 and Falconbridge Copper from that date to December 31, 1971. Dividends received from Opemiska to December 15, 1971 have been reflected as dividends from companies other than subsidiaries in the consolidated statement of earnings.

2. Alminex Limited

This company, in common with many others in the oil and gas industry in Canada, does not follow the tax allocation basis of accounting in respect of the excess amounts of property and development costs claimed for

tax purposes. Had the tax allocation basis been followed, net income would have been decreased by \$69,000 in 1971 and increased by \$53,000 in 1970, and cumulative deferred taxes would have amounted to \$2,603,000 at December 31, 1971 and \$2,534,000 at December 31, 1970.

3. New Quebec Raglan Mines Limited

At December 31, 1971 New Quebec Raglan Mines Limited and its subsidiary company, Raglan Quebec Mines Limited, had incurred exploration, development and other expenditures amounting to \$28,221,000 in the development of the subsidiary company's Cape Smith-Wakeham Bay properties. These expenditures have been deferred with the intention that they should be amortized by charges against income from future mining operations. While no substantial expenditures at the properties are planned for 1972, studies are continuing of the feasibility of alternate methods of bringing the properties into production. These studies have not reached the stage where an opinion can be expressed that the expenditures on the properties will or will not be recoverable by charges against income from future mining operations. The recovery of these costs from operations is dependent upon the obtaining of adequate financing, the successful development of an economic mining operation, and the marketing of concentrate production.

UNCONSOLIDATED FOREIGN COMPANIES OWNED 50% OR MORE

4. Carrying value in Falconbridge's accounts

- (a) The carrying value of Falconbridge's investments in La Luz Mines Limited (nominal value) and Kilembe Copper Cobalt Ltd. (\$2,880,000) is based on the values established for these companies when Falconbridge acquired the investments from its then parent company Ventures Limited in 1962.
- (b) The carrying value of Falconbridge's investment in Falconbridge Dominicana, C. por A. (\$475,000) represents amounts advanced to the subsidiary, less (i) exploration, metallurgical and development costs charged to earnings by Falconbridge prior to the decision to proceed with the subsidiary's mining project presently in the final stages of construction and (ii) recoveries from the sale of shares of the subsidiary to others.

5. Translation of foreign currencies

Foreign currency amounts have been translated into Canadian dollars at the rates of exchange prevailing at the end of the respective periods.

6. Falconbridge Dominicana, C. por A. (Falcondo)

- (a) An option to purchase 47,664 shares of Falcondo from Falconbridge at U.S. \$10.00 per share was exercised by the Dominican Government in 1971, reducing Falconbridge's interest in Falcondo from 68.9% to 65.7%. The proceeds from the exercise of this option were credited against the carrying value of Falconbridge's investment in Falcondo.
- (b) Falcondo is in the final stages of constructing a mining and metallurgical complex in the Dominican Republic for the production and export of ferronickel. The first shipment of metal was made in December, 1971 and commercial operations are anticipated for 1972. The proceeds of U.S. \$180,000,000 from long term financing agreements have been received. Details with respect to the guarantee given by Falconbridge in this connection are set out in note 12(a) of the notes to consolidated financial statements.

7. Kilembe Copper Cobalt Ltd. (KCCL)

On May 1, 1970 the Government of Uganda, by Act of Parliament, was deemed to have acquired 50% of the outstanding shares of Kilembe Mines Limited from KCCL and one other shareholder, thereby reducing KCCL's shareholdings in Kilembe Mines Limited to 31.1%.

The present Government of Uganda rescinded the acquisition order in 1971 and KCCL's percentage ownership of Kilembe Mines Limited has been restored to its original 70%.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

NOTES TO SUMMARY OF CONDENSED FINANCIAL DATA (continued)

The 1970 financial position and results of operations of KCCL have been restated on a consolidated basis to include the accounts of Kilembe Mines Limited.

8. La Luz Mines Limited

The figures shown for La Luz Mines Limited are for the 12 months ended September 30 (the company's year end).

An offer for the purchase of all the shares of La Luz Mines Limited owned by Falconbridge at \$2.40 per share was accepted by Falconbridge and the transaction was consummated in February, 1972.

MARKET VALUE OF UNCONSOLIDATED DOMESTIC AND FOREIGN COMPANIES OWNED 50% OR MORE

9. With the exception of the investment in Falconbridge Copper Limited, for which the market value is taken as at January 10, 1972 (date of listing), the market values shown are based on Canadian stock exchanges' closing bid prices on December 31, 1970 and 1971. Because of the number of shares held by Falconbridge (representing control of the companies concerned), the amounts that could be realized if these securities were to be sold may be more or less than their indicated market value.

The securities of those companies for which no market value is shown are not traded on any recognized securities exchange.

SUMMARY OF MARKET VALUES

10. A summary of the aggregate market and carrying value of the company's share investment in its unconsolidated subsidiary and other companies is set out below:

	1971		1970	
	Carrying value	Market value	Carrying value	Market value
	(000's)		(000's)	
Domestic companies owned 50% or more:				
With a quoted market value	\$ 50,154	\$ 131,771	\$ 40,049	\$ 133,099
Having no quoted market value	51,665		54,486	
	<u>101,819</u>		<u>94,535</u>	
Foreign companies owned 50% or more:				
With a quoted market value	2,880	8,148	2,880	17,561
Having no quoted market value	992		1,470	
	<u>3,872</u>		<u>4,350</u>	
Companies less than 50% owned:				
With a quoted market value	18,139	24,270	24,869	60,725
Having no quoted market value	6,438		6,346	
	<u>24,577</u>		<u>31,215</u>	
Total	<u>\$ 130,268</u>	<u>\$ 164,189</u>	<u>\$ 130,100</u>	<u>\$ 211,385</u>

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

SCHEDULE OF INVESTMENTS IN COMPANIES LESS THAN 50% OWNED

(Thousands of dollars)

	Shares					
	Shares of common stock	Percentage owned	Cost less amounts written off	Indicated market values	Dividend income	Advances and debentures
December 31, 1971						
Akaiatcho Yellowknife Gold Mines Limited	1,198,230	36.7%	\$ 232	\$ 455		
Dickstone Copper Mines Ltd.	517,725	27.2		207		
Dunraine Mines Limited	1,068,488	48.6	59	144		\$ 36
Giant Yellowknife Mines Limited	824,413	19.2	3,799	5,688	\$ 330	
Joliet-Quebec Mines Limited	1,128,800	22.0	177	209		
McIntyre Porcupine Mines Limited	175,825	7.4	10,175	12,703	141	
Opemiska Copper Mines (Quebec) Limited (note 2)					1,595	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	377	114		
United Keno Hill Mines Limited	1,195,989	48.4	3,198	4,605	119	
Western Platinum Limited	2,500,001	25.0	6,214			5,432
Other companies			346	145	20	45
			<u>\$ 24,577</u>	<u>\$ 24,270</u>	<u>\$ 2,205</u>	<u>\$ 5,513</u>
December 31, 1970						
Akaiatcho Yellowknife Gold Mines Limited	1,198,230	36.7%	\$ 232	\$ 539		
Dickstone Copper Mines Ltd.	517,725	27.2		243		
Dunraine Mines Limited	1,068,488	48.6	59	267		\$ 28
Giant Yellowknife Mines Limited	824,413	19.2	3,799	7,255	\$ 330	
Joliet-Quebec Mines Limited	1,128,800	22.0	177	248		
McIntyre Porcupine Mines Limited	175,825	7.4	10,175	24,879	352	
Opemiska Copper Mines (Quebec) Limited (note 2)	1,993,236	36.1	6,604	20,431	2,392	
Stall Lake Mines Limited (note 3)	190,800	7.9	84	296		
Thompson-Lundmark Gold Mines Limited	600,000	12.0	377	150		
United Keno Hill Mines Limited	1,195,989	48.4	3,198	6,219	119	
Western Platinum Limited	2,500,001	25.0	6,214			
Other companies			296	198	139	43
			<u>\$ 31,215</u>	<u>\$ 60,725</u>	<u>\$ 3,332</u>	<u>\$ 71</u>

NOTES: 1. The market values shown are based on Canadian stock exchanges' closing bid prices on December 31, 1970 and 1971. Because of the number of shares held by Falconbridge, the amounts that would be realized if these securities were to be sold may be more or less than their indicated market value.

2. See note 1(e) of the notes to summary of condensed financial data.

3. Sold in 1971.



FALCONBRIDGE SMELTER



CONTROL ROOM, NICKEL-IRON REFINERY

TEN-YEAR REVIEW OF FINANCIAL DATA (in thousand)

ORE RESERVES — (tons)

OPERATIONS

Metal deliveries (pounds)	
Nickel	
Copper	
Metal sales and other operating revenues	
Operating profit from nickel operations before write-offs ..	
Development and preproduction expenditures written off ..	
Depreciation and depletion	
Interest — net	
Exploration	
Research and process development	
Income taxes — current	
— deferred (3)	
Interest in profits less losses of unconsolidated domestic companies owned 50% or more	
Dividends from foreign and other companies	
Earnings before gain on investments and extraordinary item	
Amount per share (4)	
Earnings for the year	
Amount per share (4)	

DIVIDEND RECORD

Amount paid per share	
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CAPITAL EXPENDITURES

Expenditures (net) on property, plant, equipment, developme and preproduction expenditures	
---	--

FINANCIAL POSITION

Working capital	
Investment in unconsolidated subsidiary and other compani at book value	
Property, plant and equipment — net	
Long term debt less amount included under current liability	
Shareholders' equity	
Amount per share	
Shares outstanding at end of year	

NOTES:

- (1) Includes ore reserves of the Manibridge Mine (Manitoba).
- (2) Includes sale of nickel purchased from the United States Government.
- (3) The company adopted deferred tax accounting effective January 1, 1964.
- (4) Based on the weighted average number of shares outstanding during the year
- (5) Certain of the above figures have been restated to incorporate the change
accounting and other retroactive adjustments set forth in note 2 of the no
to consolidated financial statements.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>
99,933	(1) 97,405	(1) 94,217	91,639	75,073	74,861	73,160	69,523	51,322	48,263
85,864	84,141	80,647	70,712	(2) 74,754	(2) 78,963	72,984	78,485	53,245	61,061
60,985	56,922	49,456	39,787	32,401	32,872	33,813	25,102	28,690	33,831
\$154,236	\$160,674	\$137,611	\$105,206	(2)\$94,442	(2)\$92,495	\$82,840	\$80,306	\$59,764	\$73,760
48,584	65,031	58,673	36,740	30,264	26,930	27,905	27,305	20,293	33,419
13,209	9,262	6,237	6,415	2,077	1,665	1,824	898	1,768	2,991
12,791	12,155	10,729	6,836	4,180	3,304	2,701	2,384	2,355	5,918
5,179	811	268	1,256	8	(1,477)	(1,885)	(1,984)	(1,905)	(2,241)
9,137	9,519	6,036	4,659	4,259	6,967	3,899	2,243	2,542	3,820
3,311	4,208	2,683	2,207	4,074	5,554	2,697	2,187	2,071	1,370
207	1,537	2,558	460	136	637	3,057	6,500	3,300	5,050
(4,739)	4,078	4,559	6,500	6,962	5,276	4,832	2,591		
5,226	12,247	13,479	8,502	12,048	19,349	10,799	3,194	1,920	1,369
2,798	8,222	6,628	6,151	3,929	4,706	10,403	7,670	3,381	2,441
17,513	43,930	45,710	23,060	24,545	29,059	31,982	23,350	15,463	20,321
\$ 3.53	\$ 8.87	\$ 9.29	\$ 4.70	\$ 5.01	\$ 5.94	\$ 6.55	\$ 4.80	\$ 3.19	\$ 4.29
17,633	43,879	46,058	34,674	25,253	32,454	34,371			
3.55	\$ 8.86	\$ 9.36	\$ 7.07	\$ 5.15	\$ 6.64	\$ 7.04			
\$ 2.75	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 2.80	\$ 2.50	\$ 2.50
\$ 59,474	\$ 51,567	\$ 37,245	\$ 40,924	\$44,226	\$27,619	\$11,874	\$ 6,444	\$ 6,794	\$ 8,177
\$ 55,448	\$ (1,387)	\$ 18,978	\$ (1,604)	\$ (477)	\$36,502	\$55,285	\$56,680	\$68,290	\$73,895
141,897	133,301	112,578	116,769	120,035	105,642	89,823	73,611	53,536	48,743
167,614	138,412	115,517	97,238	74,083	44,882	26,207	24,558	20,371	19,522
105,058	3,523	2,862	1,264	1,384			1,000	2,000	4,000
292,136	283,862	256,446	223,660	206,132	197,642	182,181	162,522	147,450	143,322
\$ 58.43	\$ 57.29	\$ 51.85	\$ 45.60	\$ 42.03	\$ 40.38	\$ 37.24	\$ 33.37	\$ 30.39	\$ 29.71
5,000	4,955	4,946	4,905	4,904	4,895	4,892	4,871	4,852	4,824

COMMENTS ON THE MORE IMPORTANT SUBSIDIARY AND OTHER COMPANIES

FAHRALLOY CANADA LIMITED

The total tonnage of castings shipped in 1971 was up 12 per cent over 1970. Tonnage shipments of high alloy castings, however, due to a sharp drop in demand, were off 28 per cent in comparison with 1970, with the result that the total dollar value of shipments in 1971 was only slightly higher than in the previous year. The drop in high alloy casting work resulted in a lower net profit than attained in 1970.

Earnings of Fahrallloy-Wisconsin Limited, in which Fahrallloy has a 50 per cent interest, were down 13 per cent in relation to 1970.

Fahrallloy's earnings from operations,

including its interest in the earnings of Fahrallloy-Wisconsin Limited, amounted to \$316,000 compared with \$349,000 in 1970.

Capitalization	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Common shares	701	701	100%

Financial	Year ended December 31	
	1971	1970
Depreciation	\$ 288,000	\$ 251,000
Equity in earnings of Fahrallloy-Wisconsin Limited	96,000	111,000
Income taxes	213,000	312,000
Earnings from operations	316,000	349,000

Management 1971

Chairman of the Board
T. G. Beament, Orillia, Ontario

President and Managing Director
J. A. Wilson, Orillia, Ontario

WESFROB MINES LIMITED

Copper production was reduced 30 per cent because of the drop in the copper grade of the ore, which was predicted. Iron concentrate production continued at approximately the

1970 level but last quarter production was reduced due to the depressed Japanese market.

The Dela-Blujay adit was completed as was the underground diamond

drilling program. Results are being evaluated.

Sulphur contamination was encountered when mining of No. 2 zone pit was commenced in August. The problem is now under control.

Capitalization	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Common shares	3,832,994	3,832,994	100%

Production	Year ended December 31	
	1971	1970
Iron concentrates — dry metric tons	1,056,000	1,071,000
Copper concentrates — dry metric tons	29,000	42,000
Copper in concentrates — pounds	13,268,000	18,284,000

Financial	Year ended December 31	
	1971	1970
Revenue from metals produced	\$15,163,000	\$19,515,000
Operating profits before undermentioned items	7,858,000	12,565,000
Depreciation including profit or loss on disposal of fixed assets	3,489,000	3,534,000
Preproduction and development expenditures written-off	2,886,000	2,850,000
Amortization of mining properties	34,000	34,000
Income and mining taxes	565,000	(673,000)
Earnings for the period	899,000	6,915,000

Management 1971

President	D. R. De Laporte, Toronto
Mine Manager	P. L. Munro, Tasu, Queen Charlotte Islands, B.C.

ALMINEX LIMITED

The net production in 1971 of crude oil and natural gas liquids, after royalties, rose to an average of 5,095 barrels per day, an increase of 15.6% over 1970. Record production occurred during December when an average of 5,585 barrels per day were produced. Large expenditures in production facilities have permitted Alminex to meet increasing demand. Net daily production of natural gas declined 5.1% from 1970 to 19.6 million cubic feet. This decrease was largely due to production interruptions at Marten Hills and Carstairs. Sulphur production showed a more marked decline of 27.4%, the result of reduced production at Har-mattan Leduc. Sulphur sales and prices continued to be depressed.

Net production income totalled \$5,653,000, an increase of 20.8% over last year. Net income increased 29.3% to \$1,263,000 despite greater exploration activity during the year. Dividend payments were increased in 1971 to 17¢ per share, totalling \$1,300,000, compared to 15¢ per share in 1970 for a total of \$1,147,000.

Net proven and probable reserves of crude oil and natural gas liquids decreased to 47,007,000 barrels, from 48,914,000 barrels in 1970. Similarly, natural gas reserves declined to 169.6 billion cubic feet, from 178.0 billion cubic feet, and sulphur reserves were down to 226,000 long tons, from 232,000 long tons in 1970. These

reductions in reserves were, in general, the result of the year's production and lack of discovery of new reserves.

During 1971 an increased part of Alminex's exploration activities was carried out in the Northwest Territories. Exploration also moved into the United States where Alminex participated in several wells in Colorado and Nebraska. The area of main exploration interest is still, however, in Canada's western provinces.

Murphy Oil Company Ltd. began its exploration program on the 5.4 million acres in the Arctic Islands farmed out by Alminex in 1970. Permits on Eglington Island, previously farmed out by Alminex to Panarctic Oils Ltd., form part of a farmout by Panarctic to a major oil company which is required to drill a deep test beginning in 1973. Alminex also farmed out acreage in the Northwest Territories under terms requiring the farmees to carry out seismic programs or to carry out drilling so that they might earn an interest in the acreage.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	7,645,661	3,913,871	51.2%
	Year ended December 31		
	1971	1970	Increase
Production			
Crude oil and natural gas liquids — barrels per day	5,095	4,406	16%
Gas — thousands cubic feet per day	19,642	20,696	(5%)
Sulphur — long tons	6,997	9,635	(27%)
	Year ended December 31		
	1971	1970	
Reserves (proved and probable)			
Crude oil and natural gas liquids — barrels	47,007,000	48,914,000	
Natural gas — billions of cubic feet	169.6	178.0	
Sulphur — long tons	226,000	232,000	
Financial			
Revenue from sale of gas and oil, less royalties	\$ 6,457,000	\$ 5,366,000	
Earnings before write-offs for depreciation, depletion and property surrendered	3,071,000	2,496,000	
Income tax	1,023,000	1,153,000	
Earnings after all charges	1,263,000	977,000	
Dividends paid — 17¢ in 1971, 15¢ in 1970	1,300,000	1,147,000	
Falconbridge interest in		Per share of Falconbridge	
Earnings after all charges	\$ 647,000	\$.13	
Dividends paid	665,000	.13	
Excess of dividends over earnings	\$ 18,000	\$ —	

Management 1971

President

F. R. Burton, Toronto

Vice-President and General Manager
J. N. Stephen, Calgary

FALCONBRIDGE INTERNATIONAL LIMITED

During 1971 a wholly-owned subsidiary, Falconbridge International Limited, was established in order to co-ordinate and further reinforce the group's marketing capability. From its Toronto head office, the new company now conducts all commercial activities for most members of the Falconbridge group of companies. Falconbridge Europe S.A. was established in Brussels, Belgium, to augment the efforts of the company's long-established European representatives, and to foster still closer relationships with Falconbridge customers in Europe. The company has intensified marketing activities to keep Falconbridge abreast of the specific needs of its customers. In nickel consuming industries, the emphasis has shifted from the mere provision of raw materials to the development and timely supply of new product forms which suit the requirements of present-day technology.

Products and Services

New products and marketing services introduced by the company in 1971 assumed particular importance at a time when heightened competition returned to world markets.

The first shipment of more than 500 tons of Falconbridge ferronickel from the Dominican Republic metallurgical complex was shipped to North America in late December. Ferronickel, the company's fourth product form, is used to produce stainless and alloy steels. Iron-nickel pellets, also used in steel-making, were shipped in limited quantities to customers from the company's refinery near Sudbury, Ontario. The company's move toward product

diversification meets an increasing demand by nickel users for lower cost nickel units. Electrolytic nickel, Falconbridge's conventional product form, and NICKEL 98, a granular form of nickel, are both high purity metals.

In addition to greater cost efficiency, nickel consumers look for reliability of supply. The company now markets four nickel product forms from ores mined at three separate sources and processed at Falconbridge plants located in three countries.

As a broad-line, international, integrated producer with over 40 years'

experience in the nickel industry, Falconbridge is in a most favourable position to meet the challenge in the market place.

Although marketing activities were concentrated on the nickel division, other members of the group have increasingly benefited from marketing services furnished by Falconbridge International Limited. Industry surveys, commodity evaluations and forecasts, transportation studies, and other assignments have strengthened the marketing of metals, concentrates, ores and other commodities.

Management 1971

President and Managing Director	W. G. Dahl, Toronto
Vice-President Sales	D. M. Henderson, Toronto
Vice-President Administration	E. H. Holm, Toronto



The Falconbridge expanded product line now being marketed includes (upper left) ferronickel from the Dominican Republic mining and metallurgical complex; (upper right) NICKEL 98 and (lower right) electrolytic nickel squares from Falconbridge Nikkelverk A/S in Norway; and (lower left) iron-nickel pellets from refinery at Falconbridge, Ontario.

SERVING WORLD NICKEL MARKETS

BELGIUM

Falconbridge Europe S.A.,
149 Avenue Louise,
1050 Brussels, Belgium.

CANADA

Falconbridge International Limited,
7 King Street East,
Toronto 210, Ontario, Canada.

DENMARK

AB Ferrolegeringar,
Box 40 040,
Stockholm 40, Sweden.

FINLAND

AB Ferrolegeringar,
Box 40 040,
Stockholm 40, Sweden.

FRANCE

Francomet,
165 Avenue Charles DeGaulle,
92 Neuilly-Sur-Seine, France.

GERMANY (West)

Hütten Metall G.m.b.H.,
Humboldtstr. 12,
6, Frankfurt Am Main,
The Federal Republic of Germany.

HOLLAND

Falconbridge Europe S.A.,
149 Avenue Louise,
1050 Brussels, Belgium.

ISRAEL

Brandeis, Goldschmidt & Co. Ltd.,
30 Gresham Street,
London EC2P 2EB, England.

ITALY

"Victoria" S.p.A.,
Casella Postale 1635,
16100 Genoa, Italy.

JAPAN

Mitsubishi Corporation,
C.P.O. Box 22,
Tokyo 100-91, Japan.

LUXEMBOURG

Falconbridge Europe S.A.,
149 Avenue Louise,
1050 Brussels, Belgium.

NORWAY

Falconbridge Nikkelverk A/S,
Kristiansand S., Norway.

SPAIN

Jorge Pascual S.A.,
Pje. Marques de Santa Isabel 40,
Barcelona 5, Spain.

SWEDEN

AB Ferrolegeringar,
Box 40 040,
Stockholm 40, Sweden.

SWITZERLAND

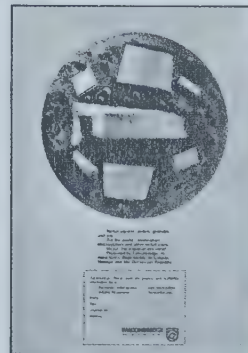
Voegeli & Co. Metalle,
Postfach 8032,
Zürich, Switzerland.

UNITED KINGDOM

Brandeis, Goldschmidt & Co. Ltd.,
30 Gresham Street,
London EC2P 2EB, England.

UNITED STATES

Falconbridge International Limited,
7 King Street East,
Toronto 210, Ontario, Canada.



Marketing communications provide sales support with technical and promotional literature distributed internationally, advertisements published in eleven countries and outdoor signs located near key selling locations.



FALCONBRIDGE COPPER LIMITED

This Quebec-incorporated company received Letters Patent on December 16, 1971 following adoption of an amalgamation agreement by the shareholders of Opemiska Copper Mines (Quebec) Limited, Lake Dufault Mines Limited and Falconbridge Mines Quebec Limited. Financial results for the company are presented on a consolidated basis with its 67% owned subsidiary Sturgeon Lake Mines Limited, and the 1970 results have been restated to take into account the effects of the amalgamation.

Net earnings for the year amounted to \$4,952,000 or 42¢ per share compared with \$6,293,000 or 54¢ per share in 1970. The per share figures are calculated using the weighted daily average number of shares outstanding during the year. The earnings for 1971 reflect the lower price received for copper.

The Company paid dividends of \$6,066,000 during the year compared with \$9,305,000 paid by Opemiska and Lake Dufault in 1970. The lower dividends were dictated in part by the large amounts of cash required to finance the Millenbach Mine at Lake Dufault and the completion of the expansion program at Opemiska. A total of \$3,356,000 was expended on property, plant and equipment and \$2,615,000 was expended on preproduction expense during the year.

Surface and underground exploration continued at the normal rate with \$2,467,000 being charged against earnings.

OPEMISKA DIVISION

Operating profit amounted to \$6,408,000 compared with \$7,486,000 in 1970. While copper production was higher than in the previous year, operating profit was adversely affected by lower copper prices.

The average price received for copper contained in concentrates produced during the year was 48.5 cents per pound, compared with 57.7 cents per pound in 1970, and 69.5 cents per pound in 1969.

The expansion program was completed two months ahead of schedule and the mill has operated at full rate since May.

Stope development was heavy during the early part of the year, tapering off as new stopes came into production. Underground exploration continued at the normal rate.

Ore reserves at the end of the year were calculated to be 7,100,000 tons, having an average grade of 2.62 per cent copper.

Ten new homes were constructed and sold to employees during the year.

A new three-year collective bargaining agreement was signed, effective April 1, 1971.

LAKE DUFAULT DIVISION

Operating profit was \$1,942,000 as compared to \$2,226,000 in 1970.

Metal production was higher than in 1970 partially due to higher grade, but principally due to greater throughput achieved by additions to the crushing and grinding components in the mill.

Metal prices received were lower than in 1970. The average price received for copper contained in concentrates produced was 48.3 cents per pound compared to 58.2 cents per pound in 1970, while the price received for zinc was 15.3 cents per pound compared to the 15.8 cents per pound in 1970.

The mill treated a total of 509,000 tons of ore during the year. This is an increase of 90,000 tons from the previous year. Mill head grade averaged 1.48 per cent copper and 2.02 per cent zinc compared with 1.36 per cent and 1.82 per cent respectively in 1970. The Millenbach mine commenced commercial production on November 1.

The combined ore reserves of the Norbec and Millenbach mines at year end were estimated to be 2,515,000 tons grading 2.8 per cent copper and 3.6 per cent zinc, 1.0 ounce per ton silver and 0.02 ounce per ton gold.

The collective bargaining agreement expired on November 14, 1971 and a new three-year agreement was signed on January 17, 1972, retroactive to the November date.

Capitalization

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Common shares	*12,970,125	6,509,682	50.2%

* Includes 983,000 shares on which Falconbridge Nickel has disclaimed dividends until the Sturgeon Lake property is brought into production.

Financial

	Year ended December 31	
	1971	*1970
Revenue from metal shipments	\$33,804,000	\$31,962,000
Earnings before amortization, depreciation and depletion	7,160,000	8,056,000
Earnings after all charges	4,952,000	6,293,000
Dividends paid	6,066,000	9,305,000
Working capital	13,597,000	18,349,000

* Comparative figures for 1970 have been presented as if the amalgamation of Lake Dufault and Opemiska had taken place in 1970.

Management 1971

Chairman and Chief Executive Officer
M. A. Cooper, Toronto
President
J. R. Smith, Toronto
Manager — Opemiska Division
J. P. Bonneville, Chapais, Quebec
Manager — Lake Dufault Division
W. R. Wright, Noranda, Quebec

STURGEON LAKE MINES LIMITED

This company was formed in September, 1971 to bring into production the base metal orebody of NBU Mines Limited in the Sturgeon Lake area of western Ontario. Falconbridge Copper owns a 67 per cent interest in the company.

A Canadian chartered bank has agreed to provide the company with the funds required to bring the mine into production. For a 7 per cent interest in the company, Falconbridge Copper Limited has agreed to act as guarantor of this projected loan for Sturgeon Lake Mines Limited.

Ore reserves have been estimated at 1,928,000 tons with an average grade of 3.00 per cent copper, 7.85 per cent zinc, and 4.54 ounces of silver per ton.

The orebody extends across the boundary on to Mattagami Lake Mines Limited property. Negotiations are in progress with Mattagami to reach a

satisfactory arrangement for both companies.

The directors of Sturgeon Lake have authorized funds for a detailed engineering study and preparation of an estimate to bring the orebody into production.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge Copper	
Capitalization			
Common shares	1,000,000	670,000	67%
Year ended December 31 1971			
Financial			
Exploration, development and other expenditures deferred	\$92,000		
Management 1971			
President			
J. R. Smith, Toronto			

FALCONBRIDGE COPPER LIMITED



Recreation centre at Chapais provides many facilities for Opemiska Division employees and their families.



Millenbach mine in Lake Dufault Division was officially opened in 1971 by Hon. J.-Gilles Masse, Quebec's Minister of Natural Resources.

FALCONBRIDGE DOMINICANA, C. POR A.

Progress during 1971 on the U.S. \$195,000,000 ferronickel project under development in the Dominican Republic was very satisfactory. The year culminated in the first shipment of ferronickel ingots, only 24 months after the first concrete foundations were poured.

The final drawdown of the balance of the U.S. \$180,000,000 long-term financing took place on December 30th and additional mortgage loans for urban housing were borrowed during the year, bringing the total long-term debt at year-end to RD \$181,553,000. Project expenditures for the year amounted to RD \$67,887,000, bringing the total to the end of 1971 to RD \$155,817,000. (RD \$1.00 equals U.S. \$1.00 at the official rate of exchange.)

Construction of the process plant and related facilities was substantially completed, and demobilization of the contractors was nearly finished by year-end. Construction, however, is continuing on urban development, where 45 of the 185 houses remain to be completed. Construction of the primary and secondary school was finished last September, and the recreation centre was 40% complete by year-end.

Mine access and haul roads, pit stripping and pit development were advanced ahead of schedule, and the mine provided plant feed as required.

Start-up of operations proceeded by stages, primarily during the second

half of the year as the various parts of the plant were completed. The first metal tap from No. 1 melting furnace was made on October 9th, and from No. 2 melting furnace on December 1st. Two of the three production lines in the metallurgical plant were in operation at the end of the year.

The three turbine-generator units in the 200-megawatt power plant and the entire fuel oil system were operational, and all other ancillary services were also completed during 1971.

Definition drilling of orebodies during the past two years has increased ore reserves from 62,800,000 dry short tons at 1.55% nickel to 72,300,000 dry short tons at 1.58% nickel.

The year was one of intense activity in the recruitment and training of personnel and in the organization and administration of this large complex, involving co-ordination of construction and start-up of operations. The Company work force at year-end totalled

1,489, of whom 120 were expatriate personnel. Personnel engaged on the project (both Company and contractors' employees) reached a peak of 4,788 in April. Much credit for the year's progress is due to all personnel engaged in this enterprise, and grateful recognition is accorded all government officials of the Dominican Republic for their continued co-operation.

At year-end, the Dominican Government exercised its option to purchase 47,664 shares of Falconbridge Dominicana, C. por A. from Falconbridge Nickel Mines Limited at U.S. \$10.00 per share. This reduced Falconbridge's interest in its subsidiary from 68.9% to 65.7%.

Falconbridge Dominicana, C. por A., by agreement, is provided with management and technical services from Falconbridge Nickel Mines Limited, which company also purchases and markets all ferronickel production.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares (Par value of RD \$10 each)	1,500,000	985,762	65.7%
Production			
Operations in start-up phase.			
First shipment of ferronickel ingots, December 29th			514 tons
Financial			As at December 31, 1971
Long-term debt			RD \$181,553,000
Project expenditures — Year 1971			RD 67,887,000
— To Date			RD 155,817,000
Working capital			RD 26,649,000
(RD \$1.00 equals U.S. \$1.00 at the official rate of exchange)			
Management 1971			
President	M. A. Cooper, Toronto		
Executive Vice-President	E. L. Healy, Toronto		
Vice-President & General Manager	I. H. Keith, Santo Domingo		



*Falconbridge Dominicana
— Construction of the
attractively designed school
in the Bonao urban develop-
ment area was completed
in time for the opening of
primary and secondary
grades in September, 1971.*



*This photograph shows a
train of slag cars at the
project site in the
Dominican Republic, with
the metallurgical plant,
ore storage buildings and
power plant in the
background.*

CATFACE COPPER MINES LIMITED

A program of diamond drilling was conducted from the exploration adit to further examine the mineralized section. At mid-year the program was terminated and the project has been deferred.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	*2,865,775	*2,790,774	97.4%
* Includes shares to be issued for expenditures made to December 31, 1971			
Financial	Year ended December 31		
	1971	1970	
Exploration, development and other expenditures	\$ 438,000	\$ 708,000	
Management 1971			
President	D. R. De Laporte, Toronto		

DELBIDGE MINES LIMITED

Net earnings for the year were \$1,106,000 or 54 cents per share compared with \$1,749,000 or 85 cents per share in 1970. Dividends paid amounted to \$2,820,000 or \$1.38 per share compared with \$1,538,000 or 75 cents per share in 1970.

A total of 154,000 tons of ore averaging 8.62 per cent zinc, 0.45 per cent copper, 2.86 ounces silver per ton and 0.08 ounce gold per ton, were treated at the Quemont Mill.

The underground exploration diamond drilling program on the 1450 foot level, which was started in 1970, was completed during the early part of the year. In addition, a deep surface hole was drilled to investigate an interesting structure at depth. No intersections of economic importance were encountered in the underground or surface drilling.

By early September, all known ore was mined, and mining was stopped. Milling was completed by late September. Salvage of all material and equipment from underground was completed, the mine was sealed and the plant was placed on a care and maintenance basis.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	2,050,650	1,045,831	51.0%
Production	January 1 to September 30, 1971	Year ended December 31, 1970	
Tons milled	154,000	197,000	
Copper in concentrates — pounds	1,357,000	2,435,000	
Zinc in concentrates — pounds	23,278,000	35,779,000	
Gold in concentrates — ounces	11,000	12,000	
Silver in concentrates — ounces	245,000	432,000	
Financial			
Revenue from metals produced	\$ 5,342,000	\$ 8,245,000	
Earnings before amortization and depreciation	1,577,000	2,648,000	
Earnings after all charges	1,106,000	1,749,000	
Dividends paid — \$1.38 in 1971, \$.75 in 1970	2,820,000	1,538,000	
Working capital	585,000	1,862,000	
Falconbridge interest in			Per share of Falconbridge
Earnings after all charges	\$ 564,000	\$.11	
Dividends paid	1,438,000	.28	
Excess of dividends over earnings	\$ 874,000	\$.17	
Management 1971			
President	J. R. Smith, Toronto		
Mine Manager	W. R. Wright, Noranda, Quebec.		

GIANT YELLOWKNIFE MINES LIMITED

As a result of the lower tonnage treated and a slight drop in recovery, gold output of Giant Yellowknife and its subsidiaries, Lolor Mines Limited, and Supercrest Mines Limited, fell from 229,000 ozs. in 1970 to 218,000 ozs. in 1971.

Despite increased costs and lower production, operating income before write-offs at \$1,523,000 was maintained at reasonable levels because of better prices received for gold on the free market during the latter part of the year. Operating expenditures per ton were up, reflecting higher wage and supply costs.

No significant tonnages of new ore were outlined during the year and reserves continued to decline. Total developed reserves of Giant Yellowknife and its subsidiaries as of December 31, 1971 were 699,000 tons averaging 0.67 oz. gold per ton.

Exploration for additional ore was also carried out on the adjacent North-belt property in which Giant now holds a 52.6 per cent interest. Some promising structures were identified that will require follow-up drilling in 1972.

Elsewhere, exploration work was done on several properties throughout the Northwest Territories including an extensive airborne geophysical survey

near the Arctic coast in an area where nickel-copper sulphides are known to occur. Follow-up drilling is planned in this area during 1972.

Capitalization	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Common shares	4,303,050	824,413	19.2%
Production (Consolidated)	Year ended December 31		
	1971	1970	
Tons milled	404,000	425,000	
Gold produced — ounces	218,000	229,000	
Financial (Consolidated)	Year ended December 31		
	1971	1970	
Revenue from metals produced, including			
Emergency Gold Mining Assistance	\$ 9,228,000	\$ 9,477,000	
Earnings before amortization and depreciation	1,374,000	1,865,000	
Earnings after all charges	762,000	1,335,000	
Dividends paid — 40¢ per share	1,721,000	1,721,000	
Working capital	6,173,000	6,460,000	
Falconbridge interest in	Per share of		
	Falconbridge		
Earnings after all charges	\$ 146,000	\$.03	
Dividends paid	330,000	.07	
Excess of dividends over earnings	\$ 184,000	\$.04	
Management 1971			
President and Managing Director	D. R. De Laporte, Toronto		
Mine Manager	D. J. Emery, Yellowknife, N.W.T.		

INDUSMIN LIMITED

While the 1971 dollar sales volume exceeded that of 1970 by 12.4 per cent, the gain fell short of expectation because of strikes in the consuming industries in the summer months which appreciably reduced the demand for nepheline syenite and silica. Additionally, the Midland plant of the Ontario Silica Division did not reach its design capacity or efficiency in 1971, and was not able to realize its sales and earnings potential in the period.

Earnings declined sharply from \$1,305,000 in 1970 to \$459,000 in 1971. The earnings performance of the first eight months was most disappointing. However, recovery commenced in September with the restoration of markets and the improvements obtained in the silica milling operation at Midland. The last quarter contributed \$326,000 or 71 per cent of the total earnings for the year.

Capitalization	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Common shares	1,167,901	806,030	69%
Financial	Year ended December 31		
	1971	1970	
Sales of all products	\$10,947,000	\$ 9,736,000	
Earnings before amortization and depreciation	2,048,000	2,446,000	
Earnings after all charges	459,000	1,305,000	
Dividends paid — 50¢ per share	584,000	584,000	
Working capital	(2,938,000)	(2,669,000)	
Falconbridge Interest in	Per share of		
	Falconbridge		
Earnings after all charges	\$ 317,000	\$.06	
Dividends paid	403,000	.08	
Excess of dividends over earnings	\$ 86,000	\$.02	
Management 1971			
President and Managing Director	J. J. Mather, Toronto		

KILEMBE COPPER COBALT LTD.

Under The Companies (Government and Public Bodies Participation) Act of 1970 the Government of Uganda was deemed to have acquired additional shares of Kilembe Mines Limited reducing the Company's interest therein to 31%. Then in September of 1971, by a Statutory Order of the Government of Uganda certain companies, including Kilembe Mines Limited, were deleted from the schedule of companies to which this legislation applied. As a result, the Company's interest returned to its original position of 70% of the outstanding shares of Kilembe Mines Limited. Shortly after the reversion of shares, the Government of Uganda increased the income tax rate for mining companies from 22½% to 40% retroactive to January 1, 1971. Late in June a withholding tax of 12½% on dividends paid by Ugandan companies to non-resident shareholders was imposed.

On the revised accounting basis adopted following the reversion in status of Kilembe Mines Limited, the consolidated loss of the Company and its subsidiary, Kilembe Mines Limited, for 1971 was \$638,000 or 16 cents per share, a sharp drop from earnings of \$2,795,000 or 72 cents per share in the previous year.

During the first nine months of 1971

the Company paid three dividends totalling 20 cents per share. No dividend was paid in the last quarter.

At the end of 1971, proved and probable ore reserves were 5,166,700 metric tons averaging 1.91% copper, compared with 6,544,000 metric tons averaging 2.00% copper at December 31, 1970. In addition, it is estimated

that there are 1,158,900 metric tons of possible ore grading 1.85% copper.

Ore milled totalled 948,000 metric tons grading 1.80% copper, compared to 1,003,000 metric tons of 1.91% copper in 1970. Production totalled 15,700 metric tons blister copper, a decrease of some 7% from the record output of 17,000 metric tons in 1970.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	3,877,027	2,820,827	72.8%
Production	Year ended December 31		
	1971	1970	
Tons milled	948,000	1,003,000	
Blister copper produced — metric tons	15,700	17,000	
Financial (Consolidated)			
Revenue from metal production	\$17,239,000	\$24,488,000	
Earnings before depreciation and minority interest	751,000	3,188,000	
Earnings (loss) before minority interest	(882,000)	3,967,000	
Earnings (loss) after all charges and minority interest	(638,000)	2,795,000	
Dividends paid — \$0.20 in 1971, \$1.50 in 1970	775,000	5,816,000	
Working capital	109,000	1,322,000	
Falconbridge Interest in			Per share of Falconbridge
Loss after all charges	\$ 464,000	\$.09	
Dividends paid	\$ 564,000	\$.11	
Management 1971			
Kilembe Copper Cobalt Ltd.			
President — G. T. N. Woodrooffe, Toronto			
Kilembe Mines Limited			
Chairman and Managing Director — A. E. Pugsley, Kilembe, Uganda			
General Manager — M. D. Cruickshanks, Kilembe, Uganda			

NEW QUEBEC RAGLAN MINES LIMITED

Exploration and development work totalling \$4,875,000 was carried out on the properties held by Raglan Quebec Mines Limited, of which Falconbridge spent \$3,027,000. For this, Falconbridge is entitled to receive preferred shares of Raglan Quebec at the rate of one share for each dollar so expended and one share of New Quebec Raglan for each \$37.50 so expended, per the terms of the 1965 agreement as amended in 1967, 1969 and 1971.

Expenditures made during the year were mainly connected with road construction. Thirty-eight miles of road were built during the year, including thirty-five miles between Douglas Harbour and Katiniq, access to two water dam sites in the Katiniq area, and access to the Donaldson site. A soils investigation program was com-

pleted at the Katiniq site and at a proposed permanent water dam site near Katiniq. In addition, a limited geological program was carried out.

Ore reserves remained unchanged at 16,050,000 tons, averaging 2.58 per cent nickel and 0.71 per cent copper.

In view of the world nickel situation no program has been devised for bringing the property into commercial production at the present time. Although no work on the property is planned for 1972, feasibility and engineering studies are continuing.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares			
New Quebec Raglan Mines Limited	*7,760,294	*5,296,490	68.3%
Preferred shares			
Raglan Quebec Mines Limited			
6% preferred	7,500,000	7,500,000	100.0%
8% preferred	7,500,000	7,500,000	100.0%
6¾% preferred	2,261,029	2,261,029	100.0%
* Includes shares to be issued for expenditures made to December 31, 1971.			
Management 1971			
President J. R. Smith, Toronto	Project Manager	H. R. Graham, Montreal	

OAMITES MINING COMPANY (PROPRIETARY) LIMITED

Exceptionally good progress was made on all surface construction work and the concentrator was ready to receive ore on schedule at 30th June, 1971. Normal start-up troubles were experienced in the operation of the concentrator but these have all been satisfactorily corrected. There was, however, a very serious delay in completion of the underground conveyor system. This matter was receiving attention at year-end.

The following tabulation provides relevant data with respect to production during the year at the company's property near Windhoek, South West Africa:

	Year 1971
Tons Milled	42,587
Mill Head Grade (% Cu)	1.10
Percentage Recovery	86.50
Concentrate Produced (metric dry tons)	1,154.4
Average Assay Value (% Cu)	36.04
Tons Recoverable Copper ...	415.83

The low grade of ore resulted from a large tonnage of mill feed from development work and this in turn has affected recovery and grade of concentrate.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	253,680	190,000	74.9%
Financial	Year ended December 31		
	1971	1970	
Exploration, development and other expenditures	\$ 433,000	\$ 408,000	
Additions to plant and equipment	2,964,000	2,365,000	
Loss for the year from the milling of development ore ..	300,000		
Falconbridge Interest in			Per share of Falconbridge
Loss after all charges	\$ 225,000	\$.04	
Management 1971			
Chairman	A. E. Pugsley, Kilembe, Uganda		

UNITED KENO HILL MINES LIMITED

Tonnage milled approximated 1970 levels but silver production increased 12 per cent. Low silver prices continued during the year. Galena Hill area exploration indicated three zones of encouraging potential. One group of claims staked in the Minto area warrants further work.

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	2,470,000	1,195,989	48.4%
Production	Year ended December 31		
	1971	1970	
Tons ore milled	95,000	93,000	
Ounces silver produced	2,920,000	2,602,000	
Pounds lead produced	8,221,000	6,584,000	
Pounds zinc produced	6,533,000	7,467,000	
Pounds cadmium produced	84,000	99,000	
Financial			
Revenue from sales of concentrates	\$ 6,525,000	\$ 6,855,000	
Expenditures on exploration and development	1,008,000	691,000	
Earnings (loss) before depreciation and amortization	(156,000)	564,000	
Earnings (loss) after all charges	(554,000)	169,000	
Dividends paid — 10¢ per share	247,000	247,000	
Working capital	7,323,000	7,949,000	
Falconbridge interest in			Per share of Falconbridge
Loss after all charges	\$ 268,000	\$.05	
Dividends paid	\$ 119,000	\$.02	

Management 1971

President	D. R. De Laporte, Toronto
Mine Manager	J. E. Ashton, Elsa, Yukon Territory

WESTERN PLATINUM LIMITED

Limited production (305,000 tons) of ore was achieved in 1971, delayed somewhat by completion of the mine shafts and development work. One unit of the concentrator commenced operations in April and initial production from the smelter commenced in December.

As with any new mining venture, problems were encountered in the acquisition and training of sufficient personnel. Production rate, grade of ore and recovery rates are still somewhat below the estimate.

Capitalization

	As at December 31, 1971		
	Outstanding	Held by Falconbridge	
Ordinary shares	10,000,000	2,500,001	25%

Long Term Debt

Promissory notes — 9½%	R15,300,000	R3,825,000	25%
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Financial

Property, plant, equipment and development expenditures to December 31, 1971	R26,937,000		
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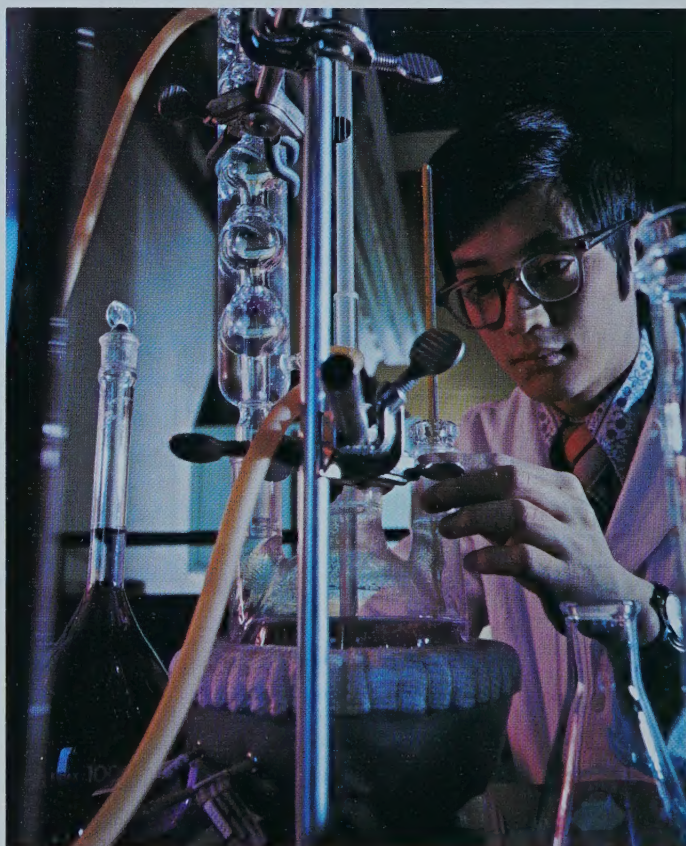
Management 1971

Joint Managing Directors
S. C. Newman, Johannesburg
A. E. Pugsley, Johannesburg



Surface plant at Western Platinum operations in South Africa. Limited production commenced in 1971.

Physical chemistry research into lesser known properties of nepheline syenite and silica — one of the many programs carried on at the Indusmin Limited Research Centre, Don Mills, Ontario.



FALCONBRIDGE NICKEL MINES LIMITED

Offices	<p>Corporate Offices — 7 King Street East, Toronto 210, Ontario</p> <p>Main Office, Sudbury Operations — Falconbridge, Ontario</p> <p>Montreal Office — 1440 St. Catherine St. West, Montreal 107, Quebec</p> <p>Vancouver Office — 1112 West Pender Street, Vancouver 1, B.C.</p>
Among Wholly-Owned Subsidiaries	<p>Falconbridge Nikkelverk Aktieselskap, Kristiansand S., Norway</p> <p>Chairman of the Board and Managing Director — R. Jahnsen</p> <p>Falconbridge International Limited, 7 King Street East, Toronto 210, Ontario</p> <p>President and Managing Director — W. G. Dahl</p> <p>Fahralloy Canada Limited, Orillia, Ontario</p> <p>Chairman of the Board — T. G. Beament</p> <p>President and Managing Director — J. A. Wilson</p> <p>Wesfrob Mines Limited, 1112 West Pender Street, Vancouver 1, B.C.</p> <p>Vice-President — W. J. Tough, Vancouver</p> <p>Mine Manager — P. L. Munro, Tasu, Queen Charlotte Islands, B.C.</p> <p>Lakefield Research of Canada Limited, Lakefield, Ontario</p> <p>Manager — A. G. Scobie</p>
Ontario	<p>SUDBURY OPERATIONS —</p> <p>General Manager — G. A. Allen</p> <p>Producing Mines — Falconbridge, East, Strathcona, Hardy-Boundary, Fecunis Lake, Onaping, North; Longvack South (scheduled for shutdown in April, 1972)</p> <p>Mines Under Development or Construction — Lockerby, Lindsley, Fraser, Onex. (The program at Lockerby was curtailed and those at Lindsley, Fraser and Onex were deferred during 1971)</p> <p>Concentrators — Falconbridge, Strathcona, Fecunis Lake; Hardy (scheduled for shutdown in April, 1972)</p> <p>Smelter — Falconbridge</p> <p>Nickel-Iron Refinery — Falconbridge (producing commercial iron-nickel pellets)</p> <p>Pyrrhotite Plant — Falconbridge (scheduled for shutdown in April, 1972)</p>
Manitoba	<p>Manibridge Mine and Mill — Near Wabowden. Production commenced in 1971</p>
Ferronickel Project	<p>Falconbridge Dominicana, C. por A., Santo Domingo, Dominican Republic</p> <p>Vice-President and General Manager — Ian H. Keith</p> <p>Initial production and first shipment of product, 1971</p>
Research Laboratories	<p>Falconbridge Metallurgical Laboratories, Richmond Hill, Ontario; Falconbridge, Ontario; Kristiansand S., Norway; Lakefield Research of Canada Limited, Lakefield, Ontario</p>
Exploration Offices	<p>Toronto, Sudbury, Timmins and Thunder Bay, Ontario; Quebec and Noranda, Quebec; Vancouver, B.C.; Winnipeg, Manitoba; Whitehorse, Yukon Territory; Santo Domingo, Dominican Republic; Buenos Aires, Argentina; Kristiansand S., Norway; Sydney and Perth, Australia; Johannesburg, South Africa; Windhoek, South West Africa; Kinshasa, Zaïre</p>
Products	<p>Products of Falconbridge Nickel Mines Limited and affiliated companies include: Nickel, copper, cobalt, gold, silver, platinum, palladium, iridium, rhodium, ruthenium, selenium, lead, iron ore, zinc, cadmium, nepheline syenite, silica, limestone aggregates, liquid sulphur dioxide, oil, natural gas, carbon and high-alloy steel castings, and other products for consumer and industrial use</p>
Solicitors	<p>Tilley, Carson & Findlay, Toronto</p>
Auditors	<p>Clarkson, Gordon & Co., Toronto</p>
Transfer Agents and Registrars	<p>Crown Trust Company, Toronto, Montreal, Vancouver and Calgary</p> <p>Registrar and Transfer Company, New York and Jersey City, U.S.A.</p>

FALCONBRIDGE



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